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March 4, 2014

Attached please find the following documents for the fiscal year ended December 31, 2013 required pursuant to certain documents relating to certain Sutter Health System obligations. Please note that these documents are also available on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA") at <http://emma.msrb.org/>.

- Audited financial statements of the Sutter Health System and Obligated Group
- Continuing Disclosure Annual Report
- Officer's Certificate of the Corporation as to Compliance with No Event of Default
- Supplemental Information

Should you have questions, please contact me at (916) 286-6679.

2013 Audited Financial Statements



December 31, 2013

Sutter Health and Affiliates
Consolidated Financial Statements
and
Supplementary Information
Year ended December 31, 2013 and 2012

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Consolidated Financial Statements
and
Supplementary Information
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Report of Independent Auditors

The Board of Directors
Sutter Health and Affiliates

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sutter Health and Affiliates at December 31, 2013 and 2012, and the consolidated results of their operations and changes in net assets, and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

March 4, 2014

Sutter Health and Affiliates

Consolidated Balance Sheets

(Dollars in millions)

	December 31,	
	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 344	\$ 438
Short-term investments	3,908	3,033
Patient accounts receivable (net of allowance for doubtful accounts of \$314 in 2013 and \$302 in 2012)	1,196	1,086
Other receivables	218	218
Inventories	91	92
Other	63	70
Total current assets	5,820	4,937
Non-current investments	845	794
Property, plant and equipment, net	6,705	6,275
Other	845	384
	<u>\$ 14,215</u>	<u>\$ 12,390</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 433	\$ 331
Accrued salaries and related benefits	536	504
Other accrued expenses	476	469
Current portion of long-term obligations	16	17
Total current liabilities	1,461	1,321
Non-current liabilities:		
Long-term obligations, less current portion	3,764	2,996
Other	667	711
Net assets:		
Unrestricted controlling	7,846	6,930
Unrestricted noncontrolling	90	71
Temporarily restricted	257	232
Permanently restricted	130	129
	<u>8,323</u>	<u>7,362</u>
	<u>\$ 14,215</u>	<u>\$ 12,390</u>

See accompanying notes.

Sutter Health and Affiliates

Consolidated Statements of Operations and Changes in Net Assets

(Dollars in millions)

	Year ended December 31,	
	2013	2012
Unrestricted net assets:		
Operating revenues:		
Patient service revenues	\$ 8,771	\$ 8,612
Provision for bad debts	(410)	(376)
Patient service revenues less provision for bad debts	8,361	8,236
Capitation revenues	939	976
Contributions	8	10
Other	341	338
Total operating revenues	9,649	9,560
Operating expenses:		
Salaries and employee benefits	4,470	4,314
Purchased services	2,354	2,166
Supplies	1,056	1,015
Depreciation and amortization	603	469
Capitated purchased services	250	267
Rentals and leases	140	126
Interest	78	74
Insurance	30	26
Other	690	554
Total operating expenses	9,671	9,011
(Loss) income from operations	(22)	549
Investment income	177	105
Change in net unrealized gains and losses on investments classified as trading	203	137
Income	358	791
Less income attributable to noncontrolling interests	(58)	(56)
Income attributable to Sutter Health	300	735

Sutter Health and Affiliates

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

(Dollars in millions)

	Year ended December 31,	
	2013	2012
Unrestricted net assets (continued):		
Unrestricted controlling net assets:		
Income attributable to Sutter Health	\$ 300	\$ 735
Change in net unrealized gains and losses on investments classified as other-than-trading	(25)	6
Net assets released from restrictions for equipment acquisition	7	13
Pension-related changes other than net periodic pension cost	634	35
Other	—	13
Increase in unrestricted controlling net assets	<u>916</u>	<u>802</u>
Unrestricted noncontrolling net assets:		
Income attributable to noncontrolling interests	58	56
Distributions	(55)	(49)
Contributed capital	1	6
Other	15	2
Increase in unrestricted noncontrolling net assets	<u>19</u>	<u>15</u>
Temporarily restricted net assets:		
Contributions	39	34
Investment income	6	6
Change in net unrealized gains and losses on investments	11	13
Net assets released from restrictions	(28)	(41)
Other	(3)	1
Increase in temporarily restricted net assets	<u>25</u>	<u>13</u>
Permanently restricted net assets:		
Contributions	1	2
Investment income	1	1
Change in net unrealized gains and losses on investments	2	1
Other	(3)	—
Increase in permanently restricted net assets	<u>1</u>	<u>4</u>
Increase in net assets	961	834
Net assets, beginning of year	7,362	6,528
Net assets, end of year	<u>\$ 8,323</u>	<u>\$ 7,362</u>

See accompanying notes.

Sutter Health and Affiliates

Consolidated Statements of Cash Flows

(Dollars in millions)

	Year ended December 31,	
	2013	2012
Operating activities		
Increase in net assets	\$ 961	\$ 834
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	509	464
Amortization of bond issuance (premium) discount, net	(10)	(7)
Change in net unrealized gains and losses on investments	(191)	(157)
Provision for doubtful accounts	410	376
Restricted contributions and investment income	(47)	(43)
Loss on impairment of property, plant and equipment	92	3
Change in net postretirement benefits	(486)	(39)
Net loss on disposal of property, plant and equipment	–	2
Net changes in operating assets and liabilities:		
Patient accounts receivable and other receivables	(520)	(364)
Inventories and other assets	14	9
Accounts payable and accrued expenses	131	84
Other non-current liabilities	(8)	39
Net cash provided by operating activities	<u>855</u>	<u>1,201</u>
Investing activities		
Purchases of property, plant and equipment	(1,023)	(1,054)
Proceeds from disposal of property, plant and equipment	7	–
(Purchases) and sales or maturities of investments, net	(735)	377
Other	(16)	(26)
Net cash used in investing activities	<u>(1,767)</u>	<u>(703)</u>

Sutter Health and Affiliates

Consolidated Statements of Cash Flows (continued)

(Dollars in millions)

	Year ended December 31,	
	2013	2012
Financing activities		
Payments of long-term obligations	\$ (18)	\$ (22)
Payments for bond redemption	—	(502)
Proceeds from issuance of long-term obligations	757	120
Bond issuance costs	(6)	(2)
Bond issuance premium	38	14
Restricted contributions and investment income	47	43
Net cash provided by (used in) financing activities	818	(349)
Net (decrease) increase in cash and cash equivalents	(94)	149
Cash and cash equivalents at beginning of year	438	289
Cash and cash equivalents at end of year	\$ 344	\$ 438
Supplementary disclosures of cash flow information:		
Cash paid during the year for interest (net of capitalized interest costs of \$86 in 2013 and \$87 in 2012)	\$ 69	\$ 76

See accompanying notes.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(Dollars in millions)

1. ORGANIZATION

Sutter Health is a California not-for-profit multi-provider integrated health care delivery system headquartered in Sacramento, California, which includes a centralized support group and various health care-related businesses operating primarily in five geographic regions, principally in Northern California. Sutter Health and its affiliates and subsidiaries provide health care, education, research and administration services.

The five geographic regions include acute care, medical foundations, fundraising foundations and a variety of other specialized health care services. These entities are commonly referred to as the affiliates. Most acute care hospitals provide a full range of medical services (e.g., surgical, intensive care, emergency room, and obstetrics). All emergency rooms provide emergency care, regardless of a patient's ability to pay. Sutter Health and its affiliates also serve their communities with programs including health education, health libraries, school-based clinics, home health care, hospice care, adult day care, prenatal clinics, community clinics, immunization services, and training health professionals.

2. ACCOUNTING POLICIES

Basis of Consolidation: The consolidated financial statements include the accounts of Sutter Health and its controlled affiliates and subsidiaries (Sutter). All significant intercompany accounts and transactions have been eliminated in consolidation.

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

Cash Equivalents: Cash equivalents include all highly liquid investments with original maturities of 90 days or less, including money market accounts with limited market risk, and investment-grade debt instruments, many of which are backed by the U.S. Government or other government agencies. Financial instruments that potentially subject Sutter to concentrations of credit risk include cash equivalents and investments. Sutter places certain of its cash in banks that are federally insured in limited amounts. Cash equivalents are stated at fair market value.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

2. ACCOUNTING POLICIES (continued)

Investments: Investments consist principally of U.S. corporate debt and equity securities, U.S. government and agency securities, and foreign government and corporate debt securities, all of which are designated as either trading or other-than-trading and carried at fair market value. Certain investments are held in trust. These include assets held by trustees in accordance with the indentures relating to long-term obligations. In addition, certain investments are designated by the appropriate Sutter governing boards for future capital improvements.

Patient Accounts Receivable: Sutter's primary concentration of credit risk is patient accounts receivable, which consist of amounts owed by various governmental agencies, insurance companies and private patients. Sutter manages the receivables by regularly reviewing its patient accounts and contracts and by providing appropriate allowances for uncollectible amounts. These allowances are estimated based upon an evaluation of historical payments, negotiated contracts and governmental reimbursements. Sutter's allowance for doubtful accounts for self-pay patients was 90% and 89% of self-pay accounts receivable at December 31, 2013 and 2012, respectively. Adjustments and changes in estimates are recorded in the period in which they are determined. Significant concentrations of gross patient accounts receivable are as follows:

	December 31,	
	2013	2012
Medicare	33%	29%
Medi-Cal	21%	23%

During 2013 and 2012, certain affiliates collected on accounts that were previously deemed uncollectible and reserved. Such recoveries are recognized in the period that cash is received and are not material. Due to the inherent variability in the estimation of future patient receivable collections, there is at least a reasonable possibility that the estimation may change by a material amount in the near term.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

2. ACCOUNTING POLICIES (continued)

Inventories: Inventories, which consist principally of medical and other supplies, are stated on the basis of cost determined by the first-in, first-out method, which is not in excess of market.

Property, Plant and Equipment: Property, plant and equipment are stated on the basis of cost, or in the case of donated items, on the basis of fair market value at the date of donation, less depreciation and any impairment write-downs. Equipment includes medical equipment, furniture and fixtures, software, and internally-developed software. Routine maintenance and repairs are charged to expense as incurred. Expenditures that increase values, change capacities or extend useful lives are capitalized, as is interest on amounts borrowed to finance constructed assets during the construction phase. Sutter accrued obligations for property, plant and equipment of \$96 and \$86 for 2013 and 2012, respectively.

Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years for buildings and improvements and leasehold improvements and from 3 to 20 years for equipment. Amortization of equipment under capital leases is included in depreciation and amortization expense.

Asset Impairment: Sutter routinely evaluates the carrying value of its long-lived assets for impairment. The evaluations address the estimated recoverability of the assets' carrying value, which is principally determined based on projected net cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, asset impairment is recognized.

Other Assets: Goodwill represents the excess of purchase price over the fair market value of net assets acquired. Goodwill and other intangible assets acquired in business combinations that have indefinite useful lives are subject to impairment tests. Sutter performs impairment tests at the reporting unit level annually or when events occur that require an evaluation to be performed. If the carrying value of goodwill is determined to be impaired, or if the carrying value of a business that is to be sold or otherwise disposed of exceeds its fair value, then the carrying value is reduced, including any allocated goodwill, to fair value. Estimates of fair value are based on appraisals, established market prices for comparative assets or internal estimates of future net cash flows based on projected performance, depending on circumstances. Sutter reported additions to goodwill of \$18 and \$24 for 2013 and 2012, respectively.

Unamortized financing costs associated with the issuance of long-term bonds are amortized ratably over the estimated average period the bonds will be outstanding.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

2. ACCOUNTING POLICIES (continued)

Other Liabilities: Other non-current liabilities consist of (i) insurance liabilities, including estimated liabilities for professional liability and comprehensive general liability losses, and workers' compensation, (ii) the portion of estimated third-party settlements not expected to be settled within a year, (iii) other postretirement benefits liabilities and (iv) certain other liabilities.

Risk Management: Sutter is self-insured for workers' compensation and employee health for most affiliates. Also, affiliates are insured by a wholly owned self-insured captive insurance company for professional liability claims and comprehensive general liability.

The provisions for estimated workers' compensation, employee health, and professional liability and comprehensive general liability claims include estimates of the ultimate costs for both uninsured reported claims and claims incurred-but-not-reported (IBNR), in accordance with actuarial projections or paid claims lag models based on past experience. Workers' compensation liabilities were \$207 and \$218 discounted using a rate of 2.5% and 1.6% as of December 31, 2013 and 2012, respectively. Sutter has other workers' compensation programs administered at certain affiliates that are discounted using rates ranging from 1.3% to 2.5% as of December 31, 2013, and 0.8% to 1.9% as of December 31, 2012, with reserves amounting to \$17 and \$27, respectively. Employee health liabilities were \$41 and \$37 as of December 31, 2013 and 2012, respectively, and were recorded on an undiscounted basis in accrued salaries and employee benefits. Professional liabilities and comprehensive general liabilities were \$105 and \$99 discounted at a rate of 1.3% and 0.8% as of December 31, 2013 and 2012, respectively. Such claim reserves are based on the best data available to Sutter; however, these estimates are subject to a significant degree of inherent variability. There is at least a reasonable possibility that a material change to the estimated reserves will occur in the near term. Such estimates are continually monitored and reviewed, and as reserves are adjusted, the differences are reflected in current operations. Management is of the opinion that the associated liabilities recognized in the accompanying consolidated financial statements are adequate to cover such claims.

Sutter has entered into reinsurance, stop loss, and excess policy agreements with independent insurance companies to limit its losses on workers' compensation, employee health, professional liability, and comprehensive general liability claims.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

2. ACCOUNTING POLICIES (continued)

In lieu of a workers' compensation security deposit requirement, Sutter paid assessment charges to participate in the California Self Insurers' Alternative Security Program, which provided coverage of \$241 and \$121 as of December 31, 2013 and 2012, respectively.

Asset Retirement Obligations: Sutter has recorded an estimated other non-current liability of \$41 and \$45 at December 31, 2013 and 2012, respectively, related to the fair value of costs for asbestos abatement that will result from Sutter's current plans to renovate and/or demolish certain acute care facilities.

Contingencies: Estimated losses from contingencies are recorded when they are probable and reasonably estimable.

Net Assets: Net resources that are not restricted by donors are included in unrestricted net assets. Gifts of long-lived operating assets, such as property, plant or equipment, are reported as unrestricted net assets and excluded from income. Resources restricted by donors for a specified time or purpose are reported as temporarily restricted net assets.

When the specific purposes are met, either through passage of a stipulated time period or when the purpose for restriction is accomplished, they are released to other operating revenues in the consolidated statement of operations and changes in net assets. Resources temporarily restricted by donors for additions to property, plant and equipment are initially reported as temporarily restricted net assets and are transferred to unrestricted net assets when expended. Donor-imposed restrictions, which stipulate that the resources be maintained permanently, are reported as permanently restricted net assets.

Investment income related to temporarily or permanently restricted net assets is classified as either unrestricted, temporarily restricted, or permanently restricted, based on the intent of the donor.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

2. ACCOUNTING POLICIES (continued)

Patient Service Revenues and Patient Service Revenues less Provision for Bad Debts: Patient service revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement programs with third-party payers. Estimated settlements under third-party reimbursement programs are accrued in the period the related services are rendered and adjusted in future periods, primarily as a result of final cost report settlements with government agencies.

Patient service revenues less provision for bad debts are reported net of the provision for bad debts on the consolidated statement of operations and changes in net assets. Sutter's self-pay write-offs were \$375 and \$370 for 2013 and 2012, respectively.

Patient services revenues, net of contractual allowances and discounts, are as follows:

	Year ended December 31,	
	2013	2012
Government	\$ 3,291	\$ 3,214
Contracted	5,185	5,152
Self-pay and others	295	246
	<u>\$ 8,771</u>	<u>\$ 8,612</u>

Other Revenue: The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medi-Cal and Medicare incentive payment program beginning in 2011 for eligible providers that adopt and demonstrate meaningful use of certified EHR technology.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

2. ACCOUNTING POLICIES (continued)

Sutter accounts for Medi-Cal and Medicare EHR incentive payments as a gain contingency. For the years ended December 31, 2013 and 2012, Medi-Cal incentives of \$8 and \$23, and Medicare incentives of \$15 and \$17, respectively, were recognized in other revenues upon demonstration of compliance with the meaningful use criteria. A portion of the income from incentive payments is subject to retrospective adjustment, as the incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, Sutter's compliance with meaningful use criteria is subject to audit by the federal government, which could result in changes to amounts previously recorded.

Purchased Services: Purchased services expense is made up of a wide variety of contracted and other purchased services, including medical group compensation, other professional fees, and repairs and maintenance. Medical group compensation is accrued by Sutter according to professional services agreements between affiliated medical foundations and contracted medical groups.

Capitated Purchased Services: Sutter has agreements with various Health Maintenance Organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, Sutter receives monthly capitation payments based on the number of each HMO's participants that are covered by the contract, regardless of services provided by Sutter. Certain of these agreements also contain provisions whereby additional amounts may be due or paid. Sutter accrues costs for out-of-area services for which Sutter is responsible, when services are rendered under these contracts, including estimates of IBNR claims and amounts receivable/payable under risk-sharing arrangements.

Advertising: Sutter expenses advertising costs as incurred. Advertising expense (included in other operating expenses) was \$18 and \$20 in 2013 and 2012, respectively.

Research and Development: Sutter expenses research and development costs as incurred. Research and development expense (included in other operating expenses) was \$41 and \$42 in 2013 and 2012, respectively.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

2. ACCOUNTING POLICIES (continued)

Income Taxes: Sutter Health, the legal entity, and most affiliates have been determined to be exempt organizations by the Internal Revenue Service (pursuant to Internal Revenue Code Section 501(c) (3)) and the California Franchise Tax Board (pursuant to California Revenue and Taxation Code 23701(d)) and, generally, are not subject to taxes on income. Certain activities of Sutter are subject to income taxes; however, such activities are not significant to the consolidated financial statements. With respect to its taxable activities, Sutter records income taxes using the liability method, under which deferred tax assets and liabilities are determined based on the differences between the financial accounting and tax bases of assets and liabilities. Deferred tax assets or liabilities at the end of each period are determined using the currently enacted tax rate expected to apply to taxable income in the periods that the deferred tax asset or liability is expected to be realized or settled.

Sutter recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Sutter recognizes interest and penalties related to income tax matters in operating expenses. At December 31, 2013 and 2012, there were no such uncertain tax positions.

Performance Indicator: “Income” and “Income attributable to Sutter Health” as reflected in the accompanying consolidated statements of operations and changes in net assets are performance indicators. Performance indicators include changes in unrestricted net assets other than net assets released from restrictions for equipment acquisition, changes in net unrealized gains and losses on investments classified as other-than-trading, and pension-related changes other than net periodic pension cost.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

2. ACCOUNTING POLICIES (continued)

Adoption of New Accounting Pronouncements: In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-04, *Liabilities (Topic 405), Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date*, which requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of the guidance is fixed at the reporting date. The ASU also requires that the nature of the obligation be disclosed. The guidance is effective for fiscal year 2015, and management will consider the impact and adopt in a timely manner.

In October 2012, the FASB issued ASU No. 2012-05, *Statement of Cash Flows, amending Accounting Standards Codification (ASC) 230, Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*, to clarify the statement of cash flow presentation of cash received from the sale of donated assets and to eliminate the diversity of presentation that currently occurs in practice. This guidance, became effective on June 15, 2013, and did not have a material impact on Sutter's consolidated financial condition, results of operations, or cash flows.

In July 2012, the FASB issued ASU No. 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment*, which will allow an entity to first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test. Under these amendments, an entity would not be required to calculate the fair value of an indefinite-lived intangible asset unless the entity determines, based on a qualitative assessment, that it is not more likely than not that the indefinite-lived intangible asset is impaired. Sutter adopted ASU 2012-02 effective January 1, 2012, and the adoption did not have a material impact on Sutter's consolidated financial condition, results of operations, or cash flows.

Reclassifications: Certain amounts in Sutter's 2012 consolidated financial statements have been reclassified to conform with the presentation of its 2013 consolidated financial statements. These reclassifications had no impact on previously reported income or net assets.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

3. INVESTMENTS

Investments are held for the following uses:

	December 31,	
	2013	2012
Assets held in trust:		
Principal, interest and other reserves held in trust		
under bond indentures	\$ 332	\$ 312
Internally designated	320	318
Investments	4,101	3,197
	4,753	3,827
Less short-term investments	(3,908)	(3,033)
Non-current investments	\$ 845	\$ 794

Investment income includes the following:

	Year ended December 31,	
	2013	2012
Interest and dividends	\$ 90	\$ 95
Investment fees	(15)	(12)
Net realized gain on sales of securities, including		
net loss from other-than-temporary impairment	121	47
	196	130
Amounts included in changes in restricted net		
assets	(7)	(7)
Interest earned on unspent bond project funds	(12)	(18)
Investment income	\$ 177	\$ 105

Sutter uses the specific identification method to compute realized gains and losses on all investments, except mutual funds, which are computed using the average cost method.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

4. FAIR VALUE MEASUREMENTS

Sutter accounts for certain assets at fair value. A fair value hierarchy for valuation inputs has been established to prioritize the valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels, which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the measurement date.

Level 2: Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Pricing inputs are generally unobservable for the assets or liabilities and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using factors that involve judgment and interpretations, including, but not limited to, private and public comparables, third-party appraisals, discounted cash flow models, fund manager estimates and net asset valuations provided by the underlying private investment companies and/or their administrators.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

4. FAIR VALUE MEASUREMENTS (continued)

The fair value of Sutter's assets measured on a recurring basis consists of the following:

	December 31, 2013			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
Liquid investments				
Cash equivalents	\$ 209	\$ —	\$ —	\$ 209
Equity securities				
U.S. equity	1,534	42	—	1,576
Foreign equity	715	—	—	715
Fixed income securities				
U.S. government	146	—	—	146
U.S. government agencies	—	103	—	103
U.S. state and local government	—	29	—	29
U.S. federal agency mortgage-backed	—	452	—	452
Foreign government	—	279	—	279
U.S. corporate	50	636	—	686
Foreign corporate	5	411	—	416
Other investments				
Multi-strategy hedge funds	—	33	67	100
Private equity funds	—	—	16	16
Commodity-linked funds	—	26	—	26
	<u>\$ 2,659</u>	<u>\$ 2,011</u>	<u>\$ 83</u>	<u>\$ 4,753</u>

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

4. FAIR VALUE MEASUREMENTS (continued)

December 31, 2012				
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2) <i>(Revised)</i>	Significant Unobservable Inputs (Level 3) <i>(Revised)</i>	Total Balance
Liquid investments				
Cash equivalents	\$ 122	\$ —	\$ —	\$ 122
Equity securities				
U.S. equity	742	85	—	827
Foreign equity	503	17	—	520
Fixed income securities				
U.S. government	140	—	—	140
U.S. government agencies	1	119	—	120
U.S. state and local government	—	58	—	58
U.S. federal agency mortgage-backed	—	241	—	241
Foreign government	—	407	—	407
U.S. corporate	83	750	—	833
Foreign corporate	3	453	—	456
Other investments				
Multi-strategy hedge funds	—	29	32	61
Private equity funds	—	—	9	9
Commodity-linked funds	20	13	—	33
	<u>\$ 1,614</u>	<u>\$ 2,172</u>	<u>\$ 41</u>	<u>\$ 3,827</u>

As a result of further analysis of the characteristics of certain financial instruments, \$29 of multi-strategy hedge funds and \$13 of commodity-linked funds that were previously reported as Level 3 at December 31, 2012, have been reclassified as Level 2 investments. These revisions as disclosed in the previous fair value classification table had no effect on the reported fair values of these instruments.

There were no transfers to or from Levels 1, 2, or 3 during the years presented.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

4. FAIR VALUE MEASUREMENTS (continued)

As of December 31, 2013 and 2012, the Level 2 and 3 instruments listed in the fair value hierarchy tables above use the following valuation techniques and inputs:

U.S. and Foreign Equity Securities: The fair value of the U.S. and foreign equity securities classified as Level 2 is primarily determined using the calculated net asset value per share (NAV). These are primarily commingled funds that invest in domestic and foreign equity securities, whose underlying values are based on Level 1 inputs. The fund managers receive prices from nationally recognized pricing services based on observable market transactions.

U.S. Government Agencies Securities: The fair value of investments in U.S. government agencies securities classified as Level 2 is primarily determined using consensus pricing methods of observable market-based data. Significant observable inputs include quotes, spreads, and data points for yield curves.

U.S. State and Local Government Securities: The fair value of U.S. state and local government securities classified as Level 2 is determined using a market approach. The inputs include yield benchmark curves, prepayment speeds, and observable market data such as institutional bids, dealer quotes, and two-sided markets.

U.S. Federal Agency Mortgage-backed Securities: The fair value of U.S. federal agency mortgage-backed securities classified as Level 2 is primarily determined using matrices. These matrices utilize observable market data of bonds with similar features, prepayment speeds, credit ratings, and discounted cash flows. Additionally, observed market movements, tranche cash flows and benchmark yields are incorporated in the pricing models.

Foreign Government and Corporate Securities: The fair value of investments in foreign government and corporate securities classified as Level 2 is primarily determined using consensus pricing methods of observable market-based data. Significant observable inputs include quotes, bid and ask yields, and issue-specific factors.

U.S. Corporate Securities: The fair value of investments in U.S. corporate securities classified as Level 2 is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include reported trades, dealer quotes, security-specific characteristics, and multiple sources of spread data points in developing yield curves.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

4. FAIR VALUE MEASUREMENTS (continued)

Hedge Fund Investments, Private Equity and Commodity-Linked Funds: The fair value of hedge fund investments, private equity and commodity-linked funds classified as Level 2 and Level 3 is determined using the calculated NAV. The values for underlying investments are fair value estimates determined either internally or by an external fund manager based on recent filings, operating results, balance sheet stability, growth, and other business and market sector fundamentals.

The change in the balance of Level 3 financial assets and liabilities measured on a recurring basis consists of the following:

	Multi-Strategy Hedge Funds	Private Equity Funds	Total
	<i>(Revised)</i>		<i>(Revised)</i>
Balance at December 31, 2011	\$ 30	\$ 1	\$ 31
Total net realized and unrealized gains	2	—	2
Purchases	—	8	8
Balance at December 31, 2012	32	9	41
Total net realized and unrealized gains	5	1	6
Purchases	30	18	48
Sales	—	(12)	(12)
Balance at December 31, 2013	<u>\$ 67</u>	<u>\$ 16</u>	<u>\$ 83</u>
Change in unrealized gains on investments held as of December 31, 2012	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 2</u>
Change in unrealized gains on investments held as of December 31, 2013	<u>\$ 5</u>	<u>\$ 1</u>	<u>\$ 6</u>

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

4. FAIR VALUE MEASUREMENTS (continued)

Certain of the investments report fair value using a calculated NAV or its equivalent. The following table and explanations identify attributes relating to the nature and risk of such investments:

December 31, 2013				
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period (if currently eligible)
Level 2				
Commingled funds – equity securities	\$ 42	\$ –	Quarterly	60 days
Commingled funds – debt securities	55	–	Weekly, Monthly	0–30 days
Multi-strategy hedge funds	33	–	Quarterly	65 days
Commodity-linked funds	26	–	Monthly	5 days
Total Level 2	156	–		
Level 3				
Multi-strategy hedge funds	67	–	Quarterly, Annually	95–100 days
Private equity funds	16	59	None	None
Total Level 3	83	59		
Total Level 2 and Level 3	\$ 239	\$ 59		

December 31, 2012				
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period (if currently eligible)
(Revised)				
Level 2				
Commingled funds – equity securities	\$ 102	\$ –	Daily, Monthly, Quarterly	1–60 days
Commingled funds – debt securities	35	–	Weekly, Monthly	0–30 days
Multi-strategy hedge funds	29	–	Quarterly	65 days
Commodity-linked funds	13	–	Monthly	5 days
Total Level 2	179	–		
Level 3				
Multi-strategy hedge funds	32	–	Annually	95 days
Private equity funds	9	16	None	None
Total Level 3	41	16		
Total Level 2 and Level 3	\$ 220	\$ 16		

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

4. FAIR VALUE MEASUREMENTS (continued)

Commingled Funds – Equity Securities: This class includes investments in commingled funds that invest primarily in domestic or foreign equity securities and attempt to match the returns of specific equity indices. A redemption limitation of 10% quarterly gate withdrawals with 60 days notice has been imposed for all investments of this class.

Commingled Funds – Debt Securities: This class includes investments in commingled funds that invest primarily in foreign and domestic debt and fixed income securities, of which the majority are traded in over-the-counter markets. Approximately 28% of the value of this class is redeemable weekly, with no notice period. The remaining 72% of the value of this class is redeemable monthly, with a notice period of 15 to 30 days.

Multi-Strategy Hedge Funds: This class includes investments in hedge funds that pursue diversification of both domestic and foreign fixed income and equity securities through multiple investment strategies. The primary objective for these funds is to balance returns while limiting volatility by allocating capital to external portfolio managers selected for expertise in one or more investment strategies that may include, but are not limited to, long/short equity, event-driven, relative value, and global asset allocation. A redemption limitation has been imposed for investments representing approximately 31% of the value of this class. These funds have a one-year lock-up and become available by September 30, 2014, with a notice period of 100 days. Approximately 33% of the value of the multi-strategy hedge funds is redeemable quarterly, with a notice period of 65 days, and 36% is redeemable annually, with a notice period of 95 days.

Commodity-Linked Funds: This class includes commodity-linked funds that pursue long-only fully collateralized commodity futures strategies to provide diversification and inflation protection. These funds are redeemable monthly, with five days notice before month end.

Private Equity Funds: This class includes private equity funds that specialize in providing capital to a variety of investment groups, including but not limited to venture capital, leveraged buyout, mezzanine debt, distressed debt, and other strategies, which may include land, water processing, and alternative energy. There is no provision for redemptions during the life of these funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated over the next 2 to 15 years.

The investments included above are not expected to be sold at amounts that are different from NAV.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	December 31,	
	2013	2012
Land improvements	\$ 149	\$ 140
Leasehold improvements	275	240
Buildings and improvements	4,994	4,805
Equipment	3,283	2,980
	8,701	8,165
Less amortization and accumulated depreciation	(4,604)	(4,311)
	4,097	3,854
Land	620	622
Construction-in-progress	1,988	1,799
	\$ 6,705	\$ 6,275

6. OTHER ASSETS

Other assets consist of the following:

	December 31,	
	2013	2012
Reinsurance recoveries receivable	\$ 64	\$ 70
Cost report settlements	29	41
Non-current portion of pledges receivable	32	36
Goodwill, net	92	74
Unamortized financing costs	21	19
Prepaid postretirement benefits	481	32
Trust receivable	89	69
Other	37	43
	\$ 845	\$ 384

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

7. LONG-TERM OBLIGATIONS

Long-term obligations consist of the following:

	December 31,	
	2013	2012
Non-taxable hospital revenue bonds and certificates of participation under the Sutter Health Master Indenture of Trust, fixed interest at 3.0% to 6.0%, through 2052 (includes net unamortized premium of \$75 and \$47 at December 31, 2013 and 2012, respectively)	\$ 3,465	\$ 3,001
Taxable hospital revenue bonds and certificates of participation under the Sutter Health Master Indenture of Trust, fixed interest at 1.09% to 2.29%, through 2053	300	—
Various collateralized and unsecured obligations	10	6
Obligations under capital leases	5	6
	3,780	3,013
Less current portion	(16)	(17)
	\$ 3,764	\$ 2,996

The aggregate estimated fair market values of Sutter's revenue bonds and certificates of participation at December 31, 2013 and 2012, of \$3,686 and \$3,247, respectively, were established using discounted cash flow analyses based on (i) the current market yield to maturity for similar types of publicly traded debt issues, and (ii) Sutter's current incremental borrowing rates for all other debt instruments. Based on the inputs and valuation techniques, the fair value of long-term debt is classified as Level 2 within the fair value hierarchy.

The central financing vehicle of credit for Sutter is the Obligated Group. Sutter Health, the legal entity, and certain affiliates are members of the Sutter Health Obligated Group (the "Obligated Group"), with their assets being subject to the indebtedness of the Obligated Group. Although the Obligated Group is not a legal entity, members of the Obligated Group are jointly and severally liable for repayment of the tax-exempt obligations issued through the California Health Facilities Financing Authority (CHFFA),

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

7. LONG-TERM OBLIGATIONS (continued)

California Statewide Communities Development Authority (CSCDA) and taxable obligations issued by Sutter. The related financing documents and various other debt agreements contain certain restrictive covenants requiring compliance by all members, including a pledge of gross revenue.

In April 2013, \$450 of Series A CHFFA tax-exempt revenue bonds were issued on behalf of Sutter. Also, in April 2013, \$100 of Series A, \$100 of Series B and \$100 of Series C Sutter Health taxable revenue bonds were issued by Sutter. The proceeds of the bonds are being used to finance capital expenditures.

In July 2012, \$119 of Series A CSCDA revenue bonds were issued on behalf of Sutter. The proceeds of the bonds, together with a cash contribution from Sutter, were used to redeem \$156 of Series B CSCDA revenue bonds issued in 2002, which did not result in a gain or loss.

In February 2012, a portion of three tax-exempt obligation issues (Series C CHFFA revenue bonds issued in 1997, Series A CHFFA revenue bonds issued in 1999 and CSCDA certificates of participation delivered in 1999) and one tax-exempt obligation issue (Series A CHFFA revenue bonds issued in 1998) totaling \$346 were redeemed or prepaid with cash, which did not result in a gain or loss.

Aggregate principal payments of long-term obligations, excluding capital leases, various collateralized and unsecured obligations, and net unamortized premiums, are as follows as of December 31, 2013:

2014	\$ 15
2015	17
2016	43
2017	45
2018	43
Thereafter	3,527
	<u>\$ 3,690</u>

Sutter has a \$400 revolving line of credit with a syndicate of banks, with \$398 available for borrowing as of December 31, 2013.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

8. LEASES

Sutter leases various buildings, office space and equipment. The leases expire at various times and contain certain contingent rental provisions, guarantees and various renewal options. These leases are classified as either capital leases, which were not material as of December 31, 2013 and 2012, or operating leases, based on the terms of the respective agreements.

Future minimum payments, by year and in the aggregate, under noncancellable operating leases with terms of one year or more at inception consist of the following as of December 31, 2013:

	Lease Payments	Sublease Receipts	Net Lease Payments
2014	\$ 94	\$ 3	\$ 91
2015	86	3	83
2016	78	3	75
2017	67	3	64
2018	50	1	49
Thereafter	203	—	203
	\$ 578	\$ 13	\$ 565

9. NET ASSETS AND CONTRIBUTIONS

Sutter receives donations through its philanthropic affiliates from the generosity of donors supporting certain programs and services. Donations with a restriction included in temporarily and permanently restricted net assets were maintained for the following purposes:

	December 31,	
	2013	2012
Temporarily restricted:		
Capital projects and medical equipment	\$ 55	\$ 59
Time restricted under trust agreements	19	12
Research and education	63	55
Operations	27	16
Operations or capital projects	93	90
	\$ 257	\$ 232
Permanently restricted – endowment	\$ 130	\$ 129

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

9. NET ASSETS AND CONTRIBUTIONS (continued)

Unconditional promises to give cash or other assets are reported at fair market value at the date the promises are received. Conditional promises to give and indications of intentions to give are reported at fair market value when the conditions are met. Therefore, no revenue or receivable is recognized at the time a conditional promise is received. Conditional promises were not material as of December 31, 2013 and 2012.

As of December 31, 2013, pledges receivable (included in other receivables and other assets) consisted of the following unconditional promises to give:

Pledges due in 2014	\$	21
Pledges due 2015–2018		34
Pledges due after 2018		13
Less allowance for uncollectible pledges		(4)
Less discount on pledges receivable		(13)
	\$	<u>51</u>

Endowments: Sutter follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA eliminates the concept of “historic dollar value” and allows an institution to spend or accumulate as the board determines is prudent for the uses, benefits, purposes, and duration of the endowment fund unless the gift instrument states a particular spending rate or formula. California’s version of UPMIFA also includes a rebuttable provision that spending greater than 7% of the average fair market value (calculated at least quarterly over a minimal period of three years) is presumed to be imprudent.

In accordance with UPMIFA, Sutter considers the following factors when appropriating or accumulating an endowment fund: (i) general economic conditions, (ii) effects of inflation and deflation, (iii) the purposes of the institution and the endowment fund, (iv) expected total return from income and appreciation of investments, (v) Sutter’s other resources, (vi) the duration and preservation of the endowment fund, and (vii) Sutter’s investment policies.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

9. NET ASSETS AND CONTRIBUTIONS (continued)

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA requires Sutter to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were not material as of December 31, 2013 and 2012. These deficiencies resulted from unfavorable investment market fluctuations.

Sutter has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under these policies, as approved by the Boards of Trustees of the philanthropic foundations, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, Sutter relies on a balanced investment strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Sutter targets a diversified asset allocation that places a great emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The endowment net asset composition by type of fund consists of the following:

December 31, 2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ —	\$ 41	\$ 130	\$ 171
Board-designated funds	53	—	—	53
Total funds	<u>\$ 53</u>	<u>\$ 41</u>	<u>\$ 130</u>	<u>\$ 224</u>
December 31, 2012				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 7	\$ 28	\$ 129	\$ 164
Board-designated funds	35	—	—	35
Total funds	<u>\$ 42</u>	<u>\$ 28</u>	<u>\$ 129</u>	<u>\$ 199</u>

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

9. NET ASSETS AND CONTRIBUTIONS (continued)

The changes in endowment net assets are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at December 31, 2011	\$ 13	\$ 19	\$ 125	\$ 157
Investment return:				
Investment income	–	2	1	3
Net gains– realized and unrealized	11	11	1	23
Total investment return	11	13	2	26
Contributions	–	–	2	2
Appropriation of endowment assets for expenditure	(3)	(4)	–	(7)
Other changes:				
Other	21	–	–	21
Balance at December 31, 2012	42	28	129	199
Investment return:				
Investment income	1	3	1	5
Net gains– realized and unrealized	4	18	2	24
Total investment return	5	21	3	29
Contributions	11	–	1	12
Appropriation of endowment assets for expenditure	(1)	(9)	–	(10)
Other changes:				
Other	(4)	1	(3)	(6)
Balance at December 31, 2013	\$ 53	\$ 41	\$ 130	\$ 224

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

10. PATIENT SERVICE AND CAPITATION REVENUES

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

- *Medicare* – Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per diagnosis. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain inpatient nonacute services and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. Sutter is reimbursed for cost-reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by Sutter and audits thereof by the Medicare fiscal intermediary. Sutter's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review. Sutter's Medicare cost reports have been audited by the Medicare fiscal intermediary generally through December 31, 2009. The estimated net settlement receivables are \$40 and \$57 at December 31, 2013 and 2012, respectively.
- *Medi-Cal* – Inpatient and outpatient services rendered to Medi-Cal program beneficiaries are reimbursed either under contracted rates or reimbursed for cost-reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by Sutter and audits thereof by Medi-Cal. Sutter's Medi-Cal cost reports have been audited generally through December 31, 2009. The estimated net settlement payables are \$54 and \$61 at December 31, 2013 and 2012, respectively.

Adjustments from the finalization of prior-year cost reports from both Medicare and Medi-Cal resulted in a decrease to patient service revenues of \$17 and \$9 in 2013 and 2012, respectively.

Gross patient charges, including charges related to capitated patients, from the Medicare and Medi-Cal programs accounted for the following percentages of Sutter's gross patient service revenues:

	Year ended December 31,	
	2013	2012
Medicare	41%	41%
Medi-Cal	16%	17%

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

10. PATIENT SERVICE AND CAPITATION REVENUES (continued)

The health care industry is subject to voluminous and complex laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws and false claims prohibitions, and in the case of tax-exempt hospitals, the requirements of tax-exemption. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes and regulations by health care providers. Sutter also operates an Ethics and Compliance Program, which reviews compliance with government health care program requirements and investigates allegations of non-compliance received from internal and external sources. From time to time, findings may result in repayment of monies previously received from government payers and/or disclosure of such overpayments, including, but not limited to, disclosure to Centers for Medicare and Medicaid Services (CMS) and its contracted agents, or the Office of Inspector General, Department of Health and Human Services. As a result, there is at least a reasonable possibility that the recorded estimates may change by a material amount in the near term.

Sutter also has entered into payment agreements with certain commercial insurance carriers, HMOs and preferred provider organizations. The basis for payment to Sutter under these agreements includes capitated arrangements, prospectively determined rates per diagnosis, discounts from established charges, and prospectively determined daily rates.

Sutter, in the ordinary course of business, enters into various incentive-based risk-sharing agreements with managed care payers and other providers. These agreements require retroactive settlement based on data that may not be available or finalized until all claims are processed. Settlement amounts have been estimated for such risk-based incentives based on available information. However, it is reasonably possible that these estimates may change in the near term.

The state of California enacted legislation for a quality assurance fee program for hospitals to obtain federal matching funds for Medi-Cal. The proceeds of the quality assurance fee program and the federal matching funds are to be redistributed to California hospitals that treat Medi-Cal patients to fund certain Medi-Cal coverage expansions.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

10. PATIENT SERVICE AND CAPITATION REVENUES (continued)

In September 2011, a 30-month program was established for the period from July 1, 2011 through December 31, 2013 (the “30-month Program”). In June 2012, legislation was passed to separate the fee-for-service from the managed care payments, and the 30-month Program received final approval for the fee-for-service payments. In May and June 2013, 24 months of the managed care payments were approved. Payments for the 30-month Program of \$416 and \$327 are included in patient service revenues, and fees of \$294 and \$233 are included in other expenses as of December 31, 2013 and 2012, respectively. Since not all payments have been received, \$57 and \$48 was recorded in other receivables and \$32 and \$11 for the provider tax fee and pledges have been included in accounts payable as of December 31, 2013 and 2012, respectively.

In April 2012, an industry-wide settlement agreement was finalized among the Department of Health and Human Services, CMS, and many providers, including several Sutter hospitals (the “Settlement”). The Settlement resulted in revised reimbursement due to a change in how the Medicare’s rural floor budget neutrality adjustment was calculated for federal fiscal years 1998 through 2011. As a result of this Settlement, Sutter recorded additional income of \$42 in 2012.

11. COMMUNITY BENEFIT EXPENSE

Services for the poor and underserved include traditional charity care, which covers health care services provided to persons who meet certain criteria and cannot afford to pay, as well as the unpaid costs of public programs treating Medi-Cal and indigent beneficiaries. Costs are computed based on a relationship of costs to charges. Services for the poor and underserved also include the cost of other services provided to persons who cannot afford health care because of inadequate resources and are uninsured or underinsured, and cash donations on behalf of the poor and needy. Sutter provided charity care services to patients at an estimated cost of \$166 and \$153 for 2013 and 2012, respectively.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

11. COMMUNITY BENEFIT EXPENSE (continued)

Benefits for the broader community include costs of providing the following services: health screenings and other health-related services, training health professionals, educating the community with various seminars and classes, the cost of performing medical research, and the costs associated with providing free clinics and community services. Benefits for the broader community also include contributions Sutter makes to community agencies to fund charitable activities.

The following is a summary of Sutter's estimated costs of providing services to the poor and broader community for the year ended December 31, 2013:

Services for the poor and underserved

Traditional charity care	\$	166
Unpaid costs of public programs:		
Medi-Cal		522
Other public programs		57
Other benefits for the poor and underserved		41
Total services for the poor and underserved		<u>786</u>

Benefits for the broader community

Nonbilled services		18
Education and research		72
Cash and in-kind donations		23
Other community benefits		2
Total benefits for the broader community		<u>115</u>
	\$	<u><u>901</u></u>

12. RETIREMENT PLANS AND POSTRETIREMENT BENEFITS

Sutter sponsors and participates in various employee benefit plans, including a noncontributory defined benefit plan (the "Retirement Plan") and several contributory defined contribution plans. Sutter's total retirement benefit expense was \$251 and \$278 in 2013 and 2012, respectively.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

12. RETIREMENT PLANS AND POSTRETIREMENT BENEFITS (continued)

Sutter's measurement date for plan assets, pension obligations and net periodic pension cost associated with the Retirement Plan is December 31. The changes in benefit obligations and plan assets for the Retirement Plan are as follows:

	Year ended December 31,	
	2013	2012
Projected benefit obligation at beginning of year	\$ 2,617	\$ 2,216
Service cost	198	181
Interest cost	114	117
Actuarial (gain) loss	(250)	182
Benefits paid	(110)	(79)
Projected benefit obligation at measurement date	\$ 2,569	\$ 2,617
Fair value of plan assets at beginning of year	\$ 2,648	\$ 2,214
Actual gain on plan assets	502	333
Employer contributions	—	180
Benefits paid	(110)	(79)
Fair value of plan assets at measurement date	\$ 3,040	\$ 2,648
Net prepaid benefit cost at end of year	\$ 471	\$ 31

The accumulated benefit obligation for the Retirement Plan was \$2,288 and \$2,248 at December 31, 2013 and 2012, respectively.

Included in net assets at December 31, 2013 and 2012, are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized prior service costs of \$8 and \$14, respectively, and unrecognized actuarial losses of \$53 and \$642, respectively. The amounts included in net assets that are expected to be recognized in net periodic benefit cost during the year ended December 31, 2014, are \$6 for prior service cost and \$0 for actuarial loss.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

12. RETIREMENT PLANS AND POSTRETIREMENT BENEFITS (continued)

The benefits expected to be paid from the Retirement Plan in each of the next five years, and in the aggregate for the next five years are as follows:

2014	\$	94
2015		107
2016		124
2017		140
2018		153
2019–2023		1,000
	\$	<u>1,618</u>

The actuarial assumptions used by the Retirement Plan are as follows:

	December 31,	
	2013	2012
Weighted-average discount rates for calculating pension expense	4.1%	5.0%
Weighted-average discount rates for calculating projected benefit obligation	5.1%	4.1%
Weighted-average rates of compensation increase for calculating pension expense	4.5%	5.3%
Weighted-average rates of compensation increase for calculating projected benefit obligation	4.0%	4.5%
Expected long-term rates of return on plan assets for calculating pension expense	7.9%	8.1%

The components of the Retirement Plan's net periodic benefit cost are as follows:

	Year ended December 31,	
	2013	2012
Service cost	\$ 198	\$ 181
Interest cost	114	117
Expected return on plan assets	(206)	(176)
Amortization of actuarial loss	43	51
Amortization of prior service cost	6	6
	<u>\$ 155</u>	<u>\$ 179</u>

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

12. RETIREMENT PLANS AND POSTRETIREMENT BENEFITS (continued)

In addition to the Retirement Plan, Sutter also has noncontributory postretirement health benefit plans (the “Health Plans”). Sutter’s measurement date for plan assets, retiree medical obligations and net periodic retiree medical cost associated with the Health Plans is December 31. The changes in benefit obligations for the Health Plans are as follows:

	Year ended December 31,	
	2013	2012
Projected benefit obligation at beginning of year	\$ 221	\$ 200
Service cost	11	10
Interest cost	8	10
Actuarial (gain) loss	(16)	9
Other change in benefit obligation	(3)	—
Benefits paid	(8)	(8)
Projected benefit obligation at measurement date	<u>\$ 213</u>	<u>\$ 221</u>
Fair value of plan assets at beginning of year	\$ 110	\$ 84
Actual gain on plan assets	25	14
Employer contributions	22	21
Benefits paid	(8)	(8)
Fair value of plan assets at measurement date	<u>\$ 149</u>	<u>\$ 111</u>
Net accrued benefit cost at end of year	<u>\$ (64)</u>	<u>\$ (110)</u>

Included in net assets at December 31, 2013 and 2012, are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized prior service costs of \$10 and \$19, respectively, and unrecognized actuarial (gain) loss of \$(12) and \$18, respectively. The amounts included in net assets that are expected to be recognized in net periodic benefit cost during the year ended December 31, 2014, are \$3 for prior service cost and \$(1) for actuarial gain.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

12. RETIREMENT PLANS AND POSTRETIREMENT BENEFITS (continued)

The benefits expected to be paid from the Health Plans in each of the next five years, and in the aggregate for the next five years are as follows:

2014	\$	12
2015		15
2016		17
2017		18
2018		20
2019–2023		105
	\$	<u>187</u>

The actuarial assumptions used by the Health Plans are as follows:

	December 31,	
	2013	2012
Weighted-average discount rates for calculating retiree medical expense	3.7%–4.0%	4.5%–4.8%
Weighted-average discount rates for calculating projected benefit obligation	4.5%–4.9%	3.7%–4.0%
Expected long-term rates of return on plan assets for calculating retiree medical expense	7.9%	8.1%

The components of the Health Plans' net periodic benefit cost are as follows:

	Year ended December 31,	
	2013	2012
Service cost	\$ 11	\$ 10
Interest cost	8	9
Expected return on plan assets	(10)	(8)
Amortization of prior service cost	6	6
	<u>\$ 15</u>	<u>\$ 17</u>

Sutter's projected medical cost trend rate related to the Health Plans for 2014 is 7.0%. The assumed medical cost trend rate is expected to gradually decrease in subsequent years to 4.8% in 2019 and thereafter. A one-percentage-point change in assumed health care cost trend rates would not have a material effect on Sutter's consolidated financial statements.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

12. RETIREMENT PLANS AND POSTRETIREMENT BENEFITS (continued)

The Pension and Investment Committee of the Board of Directors oversees the assets of the Retirement Plan and the Health Plans. Management of the assets is governed by the application of modern portfolio theory, resulting in asset class diversification and mean-variance optimization. Sutter's investment strategy is to balance the liquidity needs of the plans with the long-term return goals necessary to satisfy future obligations.

The target asset allocation seeks to reduce volatility while capturing the equity premium from the capital markets over the long-term and maintaining security of principal to meet near-term expenses and obligations. Periodically an asset allocation study is completed. As a result of the latest study, the weighted-average target asset allocations compared to actual asset allocations at December 31, 2013 and 2012, by major asset category are as follows:

Major Asset Category	Target Allocation 2013	Percentage of Actual Plan Assets at December 31,	
		2013	2012
Cash and cash equivalents	1%	1%	2%
Equity securities	59%	70%	64%
Fixed income securities	18%	17%	21%
Other investments – alternative	12%	8%	9%
Real estate investments	10%	4%	4%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Equity securities are comprised of U.S. and foreign equity securities, common and collective trusts, and commingled funds. The equity securities' target asset allocation of 59% is further comprised of 26% domestic large capitalization, 6% domestic small capitalization and 27% international/global.

The portfolio return assumption of 7.9% for 2013 and 8.1% for 2012 was based on the weighted-average return of comparative market indices for the major asset classes represented in the portfolio, net of administrative expenses.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

12. RETIREMENT PLANS AND POSTRETIREMENT BENEFITS (continued)

A fair value hierarchy has been established, with three levels that prioritize the valuation inputs into each level (see Note 4). The fair value of the Retirement Plan and the Health Plans' assets measured on a recurring basis consists of the following:

	December 31, 2013			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
Liquid investments				
Cash equivalents	\$ 31	\$ 67	\$ —	\$ 98
Equity securities				
U.S. equity	1,164	—	—	1,164
Foreign equity	865	—	—	865
Common collective trusts and commingled funds	—	206	—	206
Fixed income securities				
U.S. government and agencies	34	25	—	59
U.S. federal agency mortgage-backed	—	71	—	71
Foreign government	—	119	—	119
U.S. corporate	—	110	—	110
Foreign corporate	—	135	—	135
Other investments				
Private equity funds	—	—	185	185
Private equity real estate funds	—	—	149	149
Commodity-linked funds	—	22	—	22
Accrued income	6	—	—	6
	<u>\$ 2,100</u>	<u>\$ 755</u>	<u>\$ 334</u>	<u>\$ 3,189</u>

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

12. RETIREMENT PLANS AND POSTRETIREMENT BENEFITS (continued)

	December 31, 2012			
	Quoted Prices in Active Markets for Identical Instruments (Level 1) (Revised)	Significant Other Observable Inputs (Level 2) (Revised)	Significant Unobservable Inputs (Level 3) (Revised)	Total Balance
Liquid investments				
Cash equivalents	\$ 51	\$ 107	\$ –	\$ 158
Equity securities				
U.S. equity	941	–	–	941
Foreign equity	709	–	–	709
Common collective trusts and commingled funds	–	169	–	169
Fixed income securities				
U.S. government and agencies	58	28	–	86
U.S. federal agency mortgage-backed	–	59	–	59
Foreign government	–	163	–	163
U.S. corporate	–	101	–	101
Foreign corporate	–	81	–	81
Other investments				
Private equity funds	–	–	149	149
Private equity real estate funds	–	–	106	106
Commodity-linked funds	7	24	–	31
Accrued income	6	–	–	6
	<u>\$ 1,772</u>	<u>\$ 732</u>	<u>\$ 255</u>	<u>\$ 2,759</u>

As a result of further analysis of the characteristics of certain financial instruments, \$107 of cash equivalents in collective trusts that were previously reported as Level 1 and \$24 of commodity-linked funds that were previously reported as Level 3 at December 31, 2012, have been reclassified as Level 2 investments. These revisions as disclosed in the previous fair value classification table had no effect on the reported fair values of these instruments.

There were no transfers to or from Levels 1, 2, or 3 during the years presented.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

12. RETIREMENT PLANS AND POSTRETIREMENT BENEFITS (continued)

The change in the balance of Level 3 financial assets and liabilities measured on a recurring basis consists of the following:

	Private Equity Funds	Private Equity Real Estate Funds	Total (Revised)
Balance at December 31, 2011	\$ 137	\$ 67	\$ 204
Actual (loss) gain on plan assets	(5)	6	1
Purchases	33	54	87
Sales	(16)	(21)	(37)
Balance at December 31, 2012	149	106	255
Actual gain on plan assets	21	9	30
Purchases	37	68	105
Sales	(22)	(34)	(56)
Balance at December 31, 2013	<u>\$ 185</u>	<u>\$ 149</u>	<u>\$ 334</u>

Certain affiliates participate in multiemployer defined benefit retirement plans as described below:

Plan	Pension Plan Employer Identification Number/Plan Number	Pension Protection Act Zone Status As of January 1		Funding Improvement/ Rehabilitation Plan Status
		2013	2012	
Retirement Plan for Hospital Employees	94-2995676/001	Green	Green	No
I.U.O.E Stationary Engineers Local 39 Pension Plan	94-6118939/001	Green	Green	Yes

Pension Protection Act Zone Status (from worst to best):

Critical Status	Red
Seriously Endangered	Orange
Endangered	Yellow
None of the above	Green

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

12. RETIREMENT PLANS AND POSTRETIREMENT BENEFITS (continued)

Plan	Contributions			Surcharge Imposed (during 2013)	Collective Bargaining Agreement Expiration Date	Your Contributions to Plan Exceeded More than 5% of Total Contributions
	2014 (expected)	2013	2012			
Retirement Plan for Hospital Employees	\$ 13	\$ 21	\$ 17	No	December 15, 2015, or prior	2013 and 2012
I.U.O.E Stationary Engineers Local 39 Pension Plan	Not Available	3	3	No	October 31, 2016, or prior	2012
Total contributions	\$ 24	\$ 20				

Since January 1, 2011, participant benefits were frozen for the non-contractual employees of the two participating affiliates in the Retirement Plan for Hospital Employees. Both affiliates will continue to make periodic contributions as needed for eligible participants.

There are no minimum contributions required for future periods by the collective-bargaining agreements, statutory obligations, or other contractual obligations for both plans.

The risks of participating in multiemployer plans are different from single-employer plans in the following aspects: (i) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (ii) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and (iii) if the affiliates choose to stop participating in the multiemployer plan, the affiliates may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Sutter also maintains various defined contribution plans for eligible employees. Sutter's contributions to such plans were \$57 and \$62 in 2013 and 2012, respectively.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

13. FUNCTIONAL CLASSIFICATION OF EXPENSES

The following is a functional classification of Sutter's expenses:

	Year ended December 31,	
	2013	2012
Health services	\$ 8,819	\$ 8,198
General and administrative	852	813
	\$ 9,671	\$ 9,011

14. CONTINGENCIES AND COMMITMENTS

Contingencies: Marin General Hospital (MGH), a former Sutter affiliate, operates an acute care hospital in Marin County pursuant to a lease with the Marin Healthcare District (the "Marin District"). Prior to June 29, 2010, Sutter was the sole corporate member of MGH. In accordance with the Settlement Agreement and Mutual Release and a separate Transfer Agreement (collectively, the "Transfer Agreements"), the Marin District became the sole member of MGH and re-acquired control of MGH on June 29, 2010 (the "Transfer Date"). Subsequently, both Sutter and MGH alleged various breaches of the Transfer Agreements. In arbitration, Sutter and the individual defendants prevailed on the primary claims. Specifically, the arbitrator found that Sutter did not improperly transfer \$120 from MGH pursuant to the equity cash transfer policy, that neither Sutter nor the board members violated any fiduciary duty to MGH, and that no defendant breached the charitable trust laws. However, the arbitrator awarded a total of \$22 to MGH, less \$1 for information technology costs, which Sutter paid in February 2013. Approximately \$12 of the \$22 award resulted from the arbitrator's finding that Sutter should not have funded the MGH pension plan in the same manner that it funds the other affiliates (i.e., to the projected benefit obligation). The remainder of the \$22 award consisted of amounts related to physician recruitment, cost of capital allocation and information technology costs.

In August 2012, the arbitrator determined that both MGH and the former MGH director who had been dismissed prior to the commencement of the hearing were prevailing parties and entitled to seek reasonable attorneys' fees and costs. In addition to the award discussed above, the arbitrator awarded net \$10 for attorney fees and costs that were paid in February 2013.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

14. CONTINGENCIES AND COMMITMENTS (continued)

Sutter and certain affiliates were named in three class action complaints alleging meal and rest period and other wage-hour violations on behalf of certain employees. These class action suits were coordinated in the Alameda County Superior Court. In December 2012, the court denied plaintiffs' motion for class certification in its entirety. Plaintiffs from one of the suits have appealed this decision. Sutter agreed to settle on an individual basis with the plaintiffs from the two other class actions. One settlement is final with the related class action dismissed, and the other settlement is in process. There can be no assurance that the resolution of these matters will not have a material adverse effect on Sutter's consolidated financial position or results of operations.

In January 2007, a class action complaint was filed against Sutter alleging lack of accessibility to Sutter facilities for people with disabilities. In 2008, Sutter entered into a settlement agreement with the plaintiffs. The settlement agreement provides for an implementation period of ten years, ending July 2018. The settlement terms address: (i) correction to certain physical barriers that may limit a disabled person's access to facilities, (ii) modification to or purchase of medical equipment to provide improved accessibility to medical equipment, and (iii) adoption of new policies and procedures to improve access to facilities. Assessment of physical barriers and potential modification is currently in progress and is expected to continue for several years. It is difficult to currently estimate the cost of these proposed modifications. There can be no assurance that the resolution of these matters will not have a material adverse effect on Sutter's consolidated financial position or results of operations.

Like other health care organizations, many Sutter affiliates bill for anesthesia services on a unit-of-time basis. In February 2010, certain Sutter affiliates were served with a Qui Tam action pursuant to the California Insurance Frauds Prevention Act, alleging, among other things, that they fraudulently billed for anesthesia services on a unit-of-time basis. In May 2011, California's Insurance Commissioner intervened in the case alleging violation of California insurance code provisions, which allows, among other things, damages of three times the amount of each claim. In October 2013, Sutter settled this matter for \$46, and the liability is reflected in Sutter's consolidated financial statements.

As a part of its compliance activities, Sutter undertook an internal compliance audit process related to certain physician arrangements of certain affiliates in each of the five regions. Sutter elected to make voluntary self-disclosures to the federal government (in

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

14. CONTINGENCIES AND COMMITMENTS (continued)

accordance with federal self-disclosure guidelines) related to certain physician financial arrangements that may constitute potential violations of federal regulatory standards. These disclosures were made in October and November 2010, November 2011, and January 2014, with additional disclosures being anticipated in 2014. In December 2011, initial discussions commenced and are continuing between Sutter and the federal government regarding the matters detailed within the disclosures. Enforcement remedies that may result from Sutter's voluntary disclosure could include payments to the government and/or the imposition of additional compliance requirements. At this time, management cannot accurately estimate the amounts of any payments or settlements that may result, or whether additional, related matters may arise. There can be no assurance that any resulting payments or settlements will not have a material adverse effect on Sutter's consolidated financial position or results of operations.

Sutter has ongoing procedures related to compensation paid to medical groups under professional services agreements by certain medical foundation affiliates. These procedures revealed a variety of variances related to the calculation of amounts due under certain professional services agreements, which have been, or are in the process of being, resolved. There can be no assurance that any payments or settlements will not have a material adverse effect on Sutter's consolidated financial position or results of operations.

Certain Sutter affiliates have received, and are in the process of responding to, a request to cooperate with the Department of Justice (the "DOJ") in a national investigation to determine whether implantable cardioverter defibrillators provided to certain Medicare beneficiaries were provided in accordance with national coverage criteria. The DOJ's investigation spans a time frame beginning in October 2003 through June 2010. This investigation is in its early stages, and no final conclusions have been reached that the selected claims did not meet Medicare reimbursement criteria. No estimates of liability, if any, have been or can be reached relative to the impact of the investigation. There can be no assurance that the resolution of this investigation will not have a material adverse effect on Sutter's consolidated financial position or results of operations.

Sutter management is aware of two potentially material security incidents within Sutter. The first involves a stolen computer with limited data on approximately 4.25 million patients. Following a detailed internal review, Sutter determined that the stolen computer did not contain patient financial records, social security numbers, patients' health plan identification numbers or medical records. However, the computer contained some personal information, including names, addresses and birthdates. Additionally, for

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

14. CONTINGENCIES AND COMMITMENTS (continued)

approximately 930,000 of the patients, the computer contained some medical diagnoses and procedures used for billing purposes. Sutter received notice that it and certain affiliates are named in multiple state and federal class action lawsuits related to the stolen computer, claiming private class-wide damages for data breaches. These cases have been coordinated and are currently pending in the Sacramento County Superior Court. The cases allege violation of the California Confidentiality of Medical Information Act (the "Act"), Violation of California Civil code, negligence, and invasion of privacy. In January 2013, the trial court proceedings were suspended so the appellate court could consider whether a claim under the Act can continue as Sutter is the victim of theft of a computer and no disclosure of patient medical information has occurred. The second involves the Alameda County Sheriff's Department's notification to Sutter that during an unrelated investigation, authorities recovered information of approximately 4,500 Sutter patients. As of this date, no penalties have been assessed and one class action lawsuit has been filed with respect to this incident. The related affiliates in each of these matters have taken action to notify affected patients, and continue to coordinate with relevant state and federal agencies. Penalties may be assessed by regulatory agencies and additional patients may file private legal causes of action. Courts in California have not previously certified a class in this type of litigation and it is premature to estimate whether any civil liability will result from these or similar lawsuits. There can be no assurance that the security incidents discussed above, taken individually or in the aggregate, will not have a material adverse effect on Sutter's consolidated financial position or results of operations.

In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes, and regulations by health care providers. Certain Sutter affiliates have recently received, and are in the process of responding to, requests from governmental agencies, including the Federal Trade Commission, the Attorney General, and the Office of Civil Rights.

Sutter is involved in other litigation, as both plaintiff and defendant, and other routine labor matters, class-action complaints, tax examinations, and regulatory investigations and examinations arising in the ordinary course of business. There can be no assurance that the resolution of these matters will not have a material adverse effect on Sutter's consolidated financial position or results of operations.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

14. CONTINGENCIES AND COMMITMENTS (continued)

As of December 31, 2013, Sutter had approximately 48,000 employees, of whom approximately 28,000 are full-time employees. Approximately 24% of these 48,000 employees are employed by 24 Sutter facilities and are represented by collective bargaining units. Of these employees, 8% are represented by collective bargaining agreements that expired between 2012 and 2013 and are in the process of being negotiated, and 23% will expire in 2014. Employee strikes or other adverse labor actions may have a material adverse impact on Sutter's consolidated financial position or results of operations.

Commitments: In 2008, the Eden Township Healthcare District (the "Eden District"), Sutter and Eden Medical Center (EMC) entered into certain agreements (the "2008 Agreements"). The 2008 Agreements addressed certain disputes that had arisen among the parties under related agreements entered into in 2004 (the "2004 Agreements") concerning the Eden District's acquisition of San Leandro Hospital (SLH) and its simultaneous lease to EMC. Pursuant to the 2008 Agreements, Sutter agreed to develop and construct a 130-bed replacement facility in Castro Valley, California (to be owned and operated by Sutter Medical Center, Castro Valley, a Sutter affiliate), on property adjacent to the existing EMC hospital. The 2008 Agreements also included an amended lease for SLH, wherein Sutter and EMC received an option to purchase SLH and certain other properties (the "Option"). Sutter exercised the Option to purchase SLH in July 2009, but the Eden District failed to convey title. In March 2010, Sutter and the Eden District further entered into a stipulated judgment pursuant to which the Eden District agreed to an arbitrator's award that required the Eden District to convey title of SLH to Sutter on or before March 31, 2010. The Eden District failed to convey title pursuant to the arbitrator's award, resulting in a series of additional legal disputes under the 2008 Agreements. In November 2010, the Alameda County Superior Court upheld the validity of the 2008 Agreements. Over the next several years the Eden District filed a series of appeals, and Sutter Health, the legal entity (SH), acquired title of SLH in September 2012.

SH, EMC, Alameda County Medical Center Alameda Health System (AHS) and the County of Alameda entered into a donation and transfer agreement regarding SLH, which closed on October 30, 2013. The general terms of this agreement included: (i) SH's donation of SLH to AHS with the requirement that ownership and operational control must remain with a public entity or public health care authority as defined by statute and (ii) SH's contribution of \$14 to an operating fund. SH has also commenced arbitration with the Eden District wherein SH seeks to recover damages and attorneys' fees related to the matter in the preceding paragraph.

Sutter Health and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)

14. CONTINGENCIES AND COMMITMENTS (continued)

Sutter is required to remediate certain of its health care facilities to comply with earthquake retrofit requirements under a State of California law. Over half of Sutter's facilities are compliant, have received extensions, or extensions are pending making the facilities compliant until 2030 and Sutter is evaluating its facilities and is considering all options. There are three facilities currently in the construction phase with estimated remaining expenditures of capital of \$137 that will bring those facilities into compliance. An additional \$2,022 is expected to be spent on new construction projects or remediation projects to address seismic requirements over the next five years.

On July 9, 2013, the City and County of San Francisco (CCSF) approved certain projects proposed by Sutter West Bay Hospitals (SWBH), doing business as California Pacific Medical Center (CPMC). Pursuant to these approvals, SWBH plans to build two new hospitals at the Cathedral Hill site and a site adjacent to the St. Luke's hospital in San Francisco. As a condition of obtaining approval of the projects, SWBH entered into a development agreement with CCSF and others that obligated SWBH to pay the aggregate sum of \$84, which is generally payable in installments beginning in 2013 and ending in 2017, with a remaining commitment of \$50 as of December 31, 2013. Since approval of the projects, management has been assessing the design and costs incurred. Based on the assessment, an impairment of \$83 for project resizing of design and pre-construction services for CPMC Cathedral Hill and St. Luke's Hospitals was recorded in September 2013, and is included in depreciation and amortization. The remaining estimated cost of development and construction of these hospitals, plus the planning and entitlements for a new medical office building at Cathedral Hill, is approximately \$2,200 (unaudited).

Sutter's capital allocation plan, which includes amounts for seismic retrofits, replacements, and relocations, is approximately \$4,604 (unaudited) from January 1, 2014 to December 31, 2018. Management and the Board of Directors evaluate Sutter's capital needs on an ongoing basis and are considering options, given the current economic conditions.

15. SUBSEQUENT EVENTS

On January 31, 2014, Sutter Medical Foundation, an affiliate of Sutter, purchased the majority of Radiological Associates of Sacramento Medical Group, Inc.'s (RAS) assets. RAS provides radiation oncology and diagnostic imaging services throughout the greater Sacramento area.

Sutter has evaluated subsequent events and disclosed all material events through March 4, 2014, which is the date these financial statements of Sutter were issued.

Report of Independent Auditors on Supplementary Information

The Board of Directors
Sutter Health and Affiliates

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of Sutter Health and Affiliates for the years ended December 31, 2013 and December 31, 2012, and have issued an unmodified opinion thereon dated March 4, 2014. The consolidating financial statement schedules for Sutter Health and the Sutter Health – Obligated Group consolidated financial statements with consolidating details are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ernst & Young LLP

March 4, 2014

Sutter Health and Affiliates
Consolidating Balance Sheet - Regions, Other and Sutter Health Support Services
December 31, 2013
(Dollars in millions)

	Sutter Health Central Valley Region	Sutter Health East Bay Region	Sutter Health Peninsula Coastal Region	Sutter Health Sacramento Sierra Region	Sutter Health West Bay Region	Other	Sutter Health Support Services	Adjustments and Eliminations	Consolidated
Assets									
Current assets:									
Cash and cash equivalents	\$ 78	\$ 98	\$ 134	\$ 112	\$ 44	\$ 49	\$ 73	\$ (244)	\$ 344
Short-term investments	25	110	37	36	77	14	3,364	245	3,908
Patient accounts receivable, net	122	257	181	336	240	61	16	(17)	1,196
Other receivables	11	60	28	38	53	13	389	(374)	218
Inventories	11	19	9	31	17	2	2	-	91
Other	1	6	8	6	6	1	34	1	63
Total current assets	248	550	397	559	437	140	3,878	(389)	5,820
Non-current investments	34	136	259	73	338	-	5	-	845
Property, plant and equipment, net	435	1,080	1,655	1,456	1,298	32	748	1	6,705
Other	5	43	32	55	64	2	726	(82)	845
	<u>\$ 722</u>	<u>\$ 1,809</u>	<u>\$ 2,343</u>	<u>\$ 2,143</u>	<u>\$ 2,137</u>	<u>\$ 174</u>	<u>\$ 5,357</u>	<u>\$ (470)</u>	<u>\$ 14,215</u>
Liabilities and net assets									
Current liabilities:									
Accounts payable	\$ 25	\$ 26	\$ 33	\$ 86	\$ 59	\$ 13	\$ 192	\$ (1)	\$ 433
Accrued salaries and related benefits	51	64	89	90	105	17	119	1	536
Other accrued expenses	84	178	117	191	91	15	211	(411)	476
Current portion of long-term obligations	4	2	-	9	2	-	-	(1)	16
Total current liabilities	164	270	239	376	257	45	522	(412)	1,461
Non-current liabilities:									
Long-term obligations, less current portion	328	724	1,159	977	418	13	145	-	3,764
Other	3	26	11	20	14	1	619	(27)	667
Net assets:									
Unrestricted controlling	225	672	857	727	1,284	114	4,012	(45)	7,846
Unrestricted noncontrolling	-	7	-	5	7	-	58	13	90
Temporarily restricted	2	57	60	32	104	1	1	-	257
Permanently restricted	-	53	17	6	53	-	-	1	130
	<u>227</u>	<u>789</u>	<u>934</u>	<u>770</u>	<u>1,448</u>	<u>115</u>	<u>4,071</u>	<u>(31)</u>	<u>8,323</u>
	<u>\$ 722</u>	<u>\$ 1,809</u>	<u>\$ 2,343</u>	<u>\$ 2,143</u>	<u>\$ 2,137</u>	<u>\$ 174</u>	<u>\$ 5,357</u>	<u>\$ (470)</u>	<u>\$ 14,215</u>

Sutter Health and Affiliates
Consolidating Statement of Operations and Changes in Net Assets - Regions, Other and Sutter Health Support Services
Year ended December 31, 2013
(Dollars in millions)

	Sutter Health Central Valley Region	Sutter Health East Bay Region	Sutter Health Peninsula Coastal Region	Sutter Health Sacramento Sierra Region	Sutter Health West Bay Region	Other	Sutter Health Support Services	Adjustments and Eliminations	Consolidated
Unrestricted net assets:									
Operating revenues:									
Patient service revenues	\$ 929	\$ 1,658	\$ 1,851	\$ 2,232	\$ 1,749	\$ 298	\$ 114	\$ (60)	\$ 8,771
Provision for bad debts	(100)	(103)	(37)	(71)	(89)	(9)	(1)	-	(410)
Patient service revenues less provision for bad debts	829	1,555	1,814	2,161	1,660	289	113	(60)	8,361
Capitation revenues	148	31	344	386	31	10	-	(11)	939
Contributions	-	1	3	1	2	1	-	-	8
Other	18	112	70	46	84	16	828	(833)	341
Total operating revenues	995	1,699	2,231	2,594	1,777	316	941	(904)	9,649
Operating expenses:									
Salaries and employee benefits	355	862	662	1,050	860	211	547	(77)	4,470
Purchased services	254	438	804	629	442	89	359	(661)	2,354
Supplies	112	199	185	315	181	28	37	(1)	1,056
Depreciation and amortization	50	96	125	110	170	7	105	(60)	603
Capitated purchased services	52	13	74	117	10	-	-	(16)	250
Rentals and leases	5	20	26	38	26	7	20	(2)	140
Interest	11	17	36	20	12	1	(19)	-	78
Insurance	6	16	16	23	12	2	5	(50)	30
Other	63	170	64	143	142	15	115	(22)	690
Total operating expenses	908	1,831	1,992	2,445	1,855	360	1,169	(889)	9,671
Income (loss) from operations	87	(132)	239	149	(78)	(44)	(228)	(15)	(22)
Investment income	2	3	6	2	34	1	128	1	177
Change in net unrealized gains and losses on investments classified as trading	-	6	-	-	-	-	197	-	203
Income (loss)	89	(123)	245	151	(44)	(43)	97	(14)	358
Less income attributable to noncontrolling interests	-	(6)	-	(4)	(14)	-	(22)	(12)	(58)
Income (loss) attributable to Sutter Health	89	(129)	245	147	(58)	(43)	75	(26)	300

Sutter Health and Affiliates
Consolidating Statement of Operations and Changes in Net Assets - Regions, Other and Sutter Health Support Services (continued)
Year ended December 31, 2013
(Dollars in millions)

	Sutter Health Central Valley Region	Sutter Health East Bay Region	Sutter Health Peninsula Coastal Region	Sutter Health Sacramento Sierra Region	Sutter Health West Bay Region	Other	Sutter Health Support Services	Adjustments and Eliminations	Consolidated
Unrestricted net assets (continued):									
Unrestricted controlling net assets:									
Income (loss) attributable to Sutter Health	\$ 89	\$ (129)	\$ 245	\$ 147	\$ (58)	\$ (43)	\$ 75	\$ (26)	\$ 300
Change in net unrealized gains and losses on investments classified as other-than-trading	(1)	4	(9)	(1)	7	1	(26)	-	(25)
Net assets released from restriction for equipment acquisition	1	1	1	2	2	-	-	-	7
Pension-related changes other than net periodic pension cost	-	-	-	-	-	-	634	-	634
Transfers with related entities, net	(65)	135	(404)	(169)	11	87	406	(1)	-
Other	1	(2)	-	2	-	-	(29)	28	-
Increase (decrease) in unrestricted controlling net assets	25	9	(167)	(19)	(38)	45	1,060	1	916
Unrestricted noncontrolling net assets:									
Income attributable to noncontrolling interests	-	6	-	4	14	-	22	12	58
Distributions	-	(2)	-	(3)	(13)	-	(37)	-	(55)
Contributed capital	-	-	-	-	-	-	1	-	1
Other	-	(1)	-	-	-	-	28	(12)	15
Increase (decrease) in unrestricted noncontrolling net assets	-	3	-	1	1	-	14	-	19
Temporarily restricted net assets:									
Contributions	1	2	8	7	21	1	(1)	-	39
Investment income	-	4	1	-	1	-	-	-	6
Change in net unrealized gains and losses on investments	-	8	2	-	1	-	-	-	11
Net assets released from restriction	(2)	(3)	(7)	(6)	(10)	(1)	(1)	2	(28)
Other	-	-	-	-	(1)	-	1	(3)	(3)
Increase (decrease) in temporarily restricted net assets	(1)	11	4	1	12	-	(1)	(1)	25
Permanently restricted net assets:									
Contributions	-	-	-	-	-	-	-	1	1
Investment income	-	1	-	-	-	-	-	-	1
Change in net unrealized gains and losses on investments	-	1	-	-	-	-	-	1	2
Other	-	(2)	-	-	-	-	-	(1)	(3)
Increase (decrease) in permanently restricted net assets	-	-	-	-	-	-	-	1	1
Increase (decrease) in net assets	24	23	(163)	(17)	(25)	45	1,073	1	961
Net assets, beginning of year	203	766	1,097	787	1,473	70	2,998	(32)	7,362
Net assets, end of year	\$ 227	\$ 789	\$ 934	\$ 770	\$ 1,448	\$ 115	\$ 4,071	\$ (31)	\$ 8,323

Sutter Health and Affiliates
Consolidating Balance Sheet - Sutter Health Central Valley Region
December 31, 2013
(Dollars in millions)

	Sutter Central Valley Hospitals and Affiliate	Sutter Gould Medical Foundation	Adjustments and Eliminations	Consolidated
Assets				
Current assets:				
Cash and cash equivalents	\$ 25	\$ 53	\$ -	\$ 78
Short-term investments	26	-	(1)	25
Patient accounts receivable, net	95	27	-	122
Other receivables	21	3	(13)	11
Inventories	9	2	-	11
Other	1	-	-	1
Total current assets	177	85	(14)	248
Non-current investments	12	21	1	34
Property, plant and equipment, net	307	129	(1)	435
Other	1	4	-	5
	<u>\$ 497</u>	<u>\$ 239</u>	<u>\$ (14)</u>	<u>\$ 722</u>
Liabilities and net assets				
Current liabilities:				
Accounts payable	\$ 20	\$ 5	\$ -	\$ 25
Accrued salaries and related benefits	44	7	-	51
Other accrued expenses	54	44	(14)	84
Current portion of long-term obligations	4	-	-	4
Total current liabilities	122	56	(14)	164
Non-current liabilities:				
Long-term obligations, less current portion	157	171	-	328
Other	3	-	-	3
Net assets:				
Unrestricted controlling	213	12	-	225
Unrestricted noncontrolling	-	-	-	-
Temporarily restricted	2	-	-	2
Permanently restricted	-	-	-	-
	<u>215</u>	<u>12</u>	<u>-</u>	<u>227</u>
	<u>\$ 497</u>	<u>\$ 239</u>	<u>\$ (14)</u>	<u>\$ 722</u>

Sutter Health and Affiliates
Consolidating Statement of Operations and Changes in Net Assets - Sutter Health Central Valley Region
Year ended December 31, 2013
(Dollars in millions)

	Sutter Central Valley Hospitals and Affiliate	Sutter Gould Medical Foundation	Adjustments and Eliminations	Consolidated
Unrestricted net assets:				
Operating revenues:				
Patient service revenues	\$ 708	\$ 241	\$ (20)	\$ 929
Provision for bad debts	(85)	(14)	(1)	(100)
Patient service revenues less provision for bad debts	623	227	(21)	829
Capitation revenues	69	79	-	148
Contributions	-	-	-	-
Other	16	11	(9)	18
Total operating revenues	708	317	(30)	995
Operating expenses:				
Salaries and employee benefits	305	71	(21)	355
Purchased services	98	165	(9)	254
Supplies	90	22	-	112
Depreciation and amortization	38	12	-	50
Capitated purchased services	26	27	(1)	52
Rentals and leases	2	3	-	5
Interest	6	4	1	11
Insurance	6	1	(1)	6
Other	56	6	1	63
Total operating expenses	627	311	(30)	908
Income (loss) from operations	81	6	-	87
Investment income	2	-	-	2
Change in net unrealized gains and losses on investments classified as trading	-	-	-	-
Income (loss)	83	6	-	89
Less income attributable to noncontrolling interests	-	-	-	-
Income (loss) attributable to Sutter Health	83	6	-	89

Sutter Health and Affiliates
Consolidating Statement of Operations and Changes in Net Assets - Sutter Health Central Valley Region (continued)
Year ended December 31, 2013
(Dollars in millions)

	Sutter Central Valley Hospitals and Affiliate	Sutter Gould Medical Foundation	Adjustments and Eliminations	Consolidated
Unrestricted net assets (continued):				
Unrestricted controlling net assets:				
Income (loss) attributable to Sutter Health	\$ 83	\$ 6	\$ -	\$ 89
Change in net unrealized gains and losses on investments classified as other-than-trading	1	(2)	-	(1)
Net assets released from restriction for equipment acquisition	1	-	-	1
Pension-related changes other than net periodic pension cost	-	-	-	-
Transfers with related entities, net	(65)	-	-	(65)
Other	-	1	-	1
Increase (decrease) in unrestricted controlling net assets	20	5	-	25
Unrestricted noncontrolling net assets:				
Income attributable to noncontrolling interests	-	-	-	-
Distributions	-	-	-	-
Contributed capital	-	-	-	-
Other	-	-	-	-
Increase (decrease) in unrestricted noncontrolling net assets	-	-	-	-
Temporarily restricted net assets:				
Contributions	1	-	-	1
Investment income	-	-	-	-
Change in net unrealized gains and losses on investments	-	-	-	-
Net assets released from restriction	(2)	-	-	(2)
Other	-	-	-	-
Increase (decrease) in temporarily restricted net assets	(1)	-	-	(1)
Permanently restricted net assets:				
Contributions	-	-	-	-
Investment income	-	-	-	-
Change in net unrealized gains and losses on investments	-	-	-	-
Other	-	-	-	-
Increase (decrease) in permanently restricted net assets	-	-	-	-
Increase (decrease) in net assets	19	5	-	24
Net assets, beginning of year	196	7	-	203
Net assets, end of year	\$ 215	\$ 12	\$ -	\$ 227

Sutter Health and Affiliates
Consolidating Balance Sheet - Sutter Health East Bay Region
December 31, 2013
(Dollars in millions)

	Sutter East Bay Hospitals and Affiliates	Sutter East Bay Medical Foundation	Eden Medical Center	Sutter Medical Center Castro Valley	Adjustments and Eliminations	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	\$ 87	\$ 2	\$ 2	\$ 8	\$ (1)	\$ 98
Short-term investments	110	-	-	-	-	110
Patient accounts receivable, net	186	7	9	54	1	257
Other receivables	56	3	1	9	(9)	60
Inventories	15	-	-	4	-	19
Other	4	1	-	1	-	6
Total current assets	458	13	12	76	(9)	550
Non-current investments	136	-	-	-	-	136
Property, plant and equipment, net	679	36	-	365	-	1,080
Other	23	3	5	12	-	43
	<u>\$ 1,296</u>	<u>\$ 52</u>	<u>\$ 17</u>	<u>\$ 453</u>	<u>\$ (9)</u>	<u>\$ 1,809</u>
Liabilities and net assets						
Current liabilities:						
Accounts payable	\$ 21	-	\$ 2	\$ 2	\$ 1	\$ 26
Accrued salaries and related benefits	52	2	-	10	-	64
Other accrued expenses	139	5	11	32	(9)	178
Current portion of long-term obligations	2	-	-	-	-	2
Total current liabilities	214	7	13	44	(8)	270
Non-current liabilities:						
Long-term obligations, less current portion	436	-	-	288	-	724
Other	26	-	-	1	(1)	26
Net assets:						
Unrestricted controlling	507	45	4	116	-	672
Unrestricted noncontrolling	7	-	-	-	-	7
Temporarily restricted	53	-	-	4	-	57
Permanently restricted	53	-	-	-	-	53
	<u>620</u>	<u>45</u>	<u>4</u>	<u>120</u>	<u>-</u>	<u>789</u>
	<u>\$ 1,296</u>	<u>\$ 52</u>	<u>\$ 17</u>	<u>\$ 453</u>	<u>\$ (9)</u>	<u>\$ 1,809</u>

Sutter Health and Affiliates
Consolidating Statement of Operations and Changes in Net Assets - Sutter Health East Bay Region
Year ended December 31, 2013
(Dollars in millions)

	Sutter East Bay Hospitals and Affiliates	Sutter East Bay Medical Foundation	Eden Medical Center	Sutter Medical Center Castro Valley	Adjustments and Eliminations	Consolidated
Unrestricted net assets:						
Operating revenues:						
Patient service revenues	\$ 1,252	\$ 81	\$ 46	\$ 297	\$ (18)	\$ 1,658
Provision for bad debts	(67)	(5)	5	(36)	-	(103)
Patient service revenues less provision for bad debts	1,185	76	51	261	(18)	1,555
Capitation revenues	-	31	-	-	-	31
Contributions	1	-	-	-	-	1
Other	93	26	1	8	(16)	112
Total operating revenues	1,279	133	52	269	(34)	1,699
Operating expenses:						
Salaries and employee benefits	675	28	41	138	(20)	862
Purchased services	292	78	24	58	(14)	438
Supplies	160	7	6	25	1	199
Depreciation and amortization	64	6	1	26	(1)	96
Capitated purchased services	-	13	-	-	-	13
Rentals and leases	12	6	-	2	-	20
Interest	5	1	-	10	1	17
Insurance	13	-	1	2	-	16
Other	119	2	30	20	(1)	170
Total operating expenses	1,340	141	103	281	(34)	1,831
Income (loss) from operations	(61)	(8)	(51)	(12)	-	(132)
Investment income	3	-	-	-	-	3
Change in net unrealized gains and losses on investments classified as trading	6	-	-	-	-	6
Income (loss)	(52)	(8)	(51)	(12)	-	(123)
Less income attributable to noncontrolling interests	(6)	-	-	-	-	(6)
Income (loss) attributable to Sutter Health	(58)	(8)	(51)	(12)	-	(129)

Sutter Health and Affiliates
Consolidating Statement of Operations and Changes in Net Assets - Sutter Health East Bay Region (continued)
Year end December 31, 2013
(Dollars in millions)

	Sutter East Bay Hospitals and Affiliates	Sutter East Bay Medical Foundation	Eden Medical Center	Sutter Medical Center Castro Valley	Adjustments and Eliminations	Consolidated
Unrestricted net assets (continued):						
Unrestricted controlling net assets:						
Income (loss) attributable to Sutter Health	\$ (58)	\$ (8)	\$ (51)	\$ (12)	\$ -	\$ (129)
Change in net unrealized gains and losses on investments classified as other-than-trading	4	-	-	-	-	4
Net assets released from restriction for equipment acquisition	1	-	-	-	-	1
Pension-related changes other than net periodic pension cost	-	-	-	-	-	-
Transfers with related entities, net	69	1	21	44	-	135
Other	(2)	-	(4)	4	-	(2)
Increase (decrease) in unrestricted controlling net assets	14	(7)	(34)	36	-	9
Unrestricted noncontrolling net assets:						
Income attributable to noncontrolling interests	6	-	-	-	-	6
Distributions	(2)	-	-	-	-	(2)
Contributed capital	-	-	-	-	-	-
Other	(1)	-	-	-	-	(1)
Increase (decrease) in unrestricted noncontrolling net assets	3	-	-	-	-	3
Temporarily restricted net assets:						
Contributions	2	-	-	-	-	2
Investment income	4	-	-	-	-	4
Change in net unrealized gains and losses on investments	8	-	-	-	-	8
Net assets released from restriction	(3)	-	-	-	-	(3)
Other	-	-	(4)	4	-	-
Increase (decrease) in temporarily restricted net assets	11	-	(4)	4	-	11
Permanently restricted net assets:						
Contributions	-	-	-	-	-	-
Investment income	1	-	-	-	-	1
Change in net unrealized gains and losses on investments	1	-	-	-	-	1
Other	(2)	-	-	-	-	(2)
Increase (decrease) in permanently restricted net assets	-	-	-	-	-	-
Increase (decrease) in net assets	28	(7)	(38)	40	-	23
Net assets, beginning of year	592	52	42	80	-	766
Net assets, end of year	\$ 620	\$ 45	\$ 4	\$ 120	\$ -	\$ 789

Sutter Health and Affiliates
Consolidating Balance Sheet - Sutter Health Peninsula Coastal Region
December 31, 2013
(Dollars in millions)

	Palo Alto Medical				
	Mills-Peninsula Health Services and Affiliates	Palo Alto Medical Foundation	Foundation Research Institute	Adjustments and Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ 31	\$ 69	\$ 34	\$ -	\$ 134
Short-term investments	13	-	25	(1)	37
Patient accounts receivable, net	67	113	-	1	181
Other receivables	5	63	8	(48)	28
Inventories	7	2	-	-	9
Other	3	5	-	-	8
Total current assets	126	252	67	(48)	397
Non-current investments	23	210	27	(1)	259
Property, plant and equipment, net	695	948	12	-	1,655
Other	8	18	6	-	32
	<u>\$ 852</u>	<u>\$ 1,428</u>	<u>\$ 112</u>	<u>\$ (49)</u>	<u>\$ 2,343</u>
Liabilities and net assets					
Current liabilities:					
Accounts payable	\$ 12	\$ 20	\$ -	\$ 1	\$ 33
Accrued salaries and related benefits	27	62	1	(1)	89
Other accrued expenses	39	82	45	(49)	117
Current portion of long-term obligations	-	-	-	-	-
Total current liabilities	78	164	46	(49)	239
Non-current liabilities:					
Long-term obligations, less current portion	512	648	-	(1)	1,159
Other	6	3	1	1	11
Net assets:					
Unrestricted controlling	222	613	22	-	857
Unrestricted noncontrolling	-	-	-	-	-
Temporarily restricted	27	-	33	-	60
Permanently restricted	7	-	10	-	17
	<u>256</u>	<u>613</u>	<u>65</u>	<u>-</u>	<u>934</u>
	<u>\$ 852</u>	<u>\$ 1,428</u>	<u>\$ 112</u>	<u>\$ (49)</u>	<u>\$ 2,343</u>

Sutter Health and Affiliates
Consolidating Statement of Operations and Changes in Net Assets - Sutter Health Peninsula Coastal Region
Year ended December 31, 2013
(Dollars in millions)

	Mills-Peninsula Health Services and Affiliates	Palo Alto Medical Foundation	Palo Alto Medical Foundation Research Institute	Adjustments and Eliminations	Consolidated
Unrestricted net assets:					
Operating revenues:					
Patient service revenues	\$ 554	\$ 1,318	\$ -	\$ (21)	\$ 1,851
Provision for bad debts	(15)	(22)	-	-	(37)
Patient service revenues less provision for bad debts	539	1,296	-	(21)	1,814
Capitation revenues	49	295	-	-	344
Contributions	1	-	2	-	3
Other	23	49	7	(9)	70
Total operating revenues	612	1,640	9	(30)	2,231
Operating expenses:					
Salaries and employee benefits	265	405	10	(18)	662
Purchased services	101	707	3	(7)	804
Supplies	59	126	-	-	185
Depreciation and amortization	61	63	1	-	125
Capitated purchased services	8	66	-	-	74
Rentals and leases	5	26	-	(5)	26
Interest	19	17	-	-	36
Insurance	4	12	-	-	16
Other	37	25	2	-	64
Total operating expenses	559	1,447	16	(30)	1,992
Income (loss) from operations	53	193	(7)	-	239
Investment income	1	1	4	-	6
Change in net unrealized gains and losses on investments classified as trading	-	-	-	-	-
Income (loss)	54	194	(3)	-	245
Less income attributable to noncontrolling interests	-	-	-	-	-
Income (loss) attributable to Sutter Health	54	194	(3)	-	245

Sutter Health and Affiliates
Consolidating Statement of Operations and Changes in Net Assets - Sutter Health Peninsula Coastal Region (continued)
Year ended December 31, 2013
(Dollars in millions)

	Mills-Peninsula Health Services and Affiliates	Palo Alto Medical Foundation	Palo Alto Medical Foundation Research Institute	Adjustments and Eliminations	Consolidated
Unrestricted net assets (continued):					
Unrestricted controlling net assets:					
Income (loss) attributable to Sutter Health	\$ 54	\$ 194	\$ (3)	\$ -	\$ 245
Change in net unrealized gains and losses on investments classified as other-than-trading	-	(9)	-	-	(9)
Net assets released from restriction for equipment acquisition	1	-	-	-	1
Pension-related changes other than net periodic pension cost	-	-	-	-	-
Transfers with related entities, net	(122)	(268)	(14)	-	(404)
Other	-	-	-	-	-
Increase (decrease) in unrestricted controlling net assets	(67)	(83)	(17)	-	(167)
Unrestricted noncontrolling net assets:					
Income attributable to noncontrolling interests	-	-	-	-	-
Distributions	-	-	-	-	-
Contributed capital	-	-	-	-	-
Other	-	-	-	-	-
Increase (decrease) in unrestricted noncontrolling net assets	-	-	-	-	-
Temporarily restricted net assets:					
Contributions	3	-	5	-	8
Investment income	1	-	-	-	1
Change in net unrealized gains and losses on investments	1	-	1	-	2
Net assets released from restriction	(5)	-	(2)	-	(7)
Other	(1)	-	1	-	-
Increase (decrease) in temporarily restricted net assets	(1)	-	5	-	4
Permanently restricted net assets:					
Contributions	-	-	-	-	-
Investment income	-	-	-	-	-
Change in net unrealized gains and losses on investments	-	-	-	-	-
Other	-	-	-	-	-
Increase (decrease) in permanently restricted net assets	-	-	-	-	-
Increase (decrease) in net assets	(68)	(83)	(12)	-	(163)
Net assets, beginning of year	324	696	77	-	1,097
Net assets, end of year	\$ 256	\$ 613	\$ 65	\$ -	\$ 934

Sutter Health and Affiliates
Consolidating Balance Sheet - Sutter Health Sacramento Sierra Region
December 31, 2013
(Dollars in millions)

	Sutter Health Sacramento Sierra Region and Affiliates	Sutter Medical Foundation and Subsidiaries	Roseville Endoscopy Center LLC	Sutter Amador Surgery Center LLC	Adjustments and Eliminations	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	\$ 76	\$ 34	\$ 2	\$ -	\$ -	\$ 112
Short-term investments	36	-	-	-	-	36
Patient accounts receivable, net	271	63	1	-	1	336
Other receivables	30	21	-	-	(13)	38
Inventories	25	6	-	-	-	31
Other	5	2	-	-	(1)	6
Total current assets	443	126	3	-	(13)	559
Non-current investments	70	3	-	-	-	73
Property, plant and equipment, net	1,248	208	-	-	-	1,456
Other	38	17	-	2	(2)	55
	<u>\$ 1,799</u>	<u>\$ 354</u>	<u>\$ 3</u>	<u>\$ 2</u>	<u>\$ (15)</u>	<u>\$ 2,143</u>
Liabilities and net assets						
Current liabilities:						
Accounts payable	\$ 73	\$ 12	\$ -	\$ -	\$ 1	\$ 86
Accrued salaries and related benefits	75	15	-	-	-	90
Other accrued expenses	150	53	1	-	(13)	191
Current portion of long-term obligations	6	3	-	-	-	9
Total current liabilities	304	83	1	-	(12)	376
Non-current liabilities:						
Long-term obligations, less current portion	938	39	-	-	-	977
Other	14	6	-	-	-	20
Net assets:						
Unrestricted controlling	506	221	3	2	(5)	727
Unrestricted noncontrolling	-	4	(1)	-	2	5
Temporarily restricted	31	1	-	-	-	32
Permanently restricted	6	-	-	-	-	6
	<u>543</u>	<u>226</u>	<u>2</u>	<u>2</u>	<u>(3)</u>	<u>770</u>
	<u>\$ 1,799</u>	<u>\$ 354</u>	<u>\$ 3</u>	<u>\$ 2</u>	<u>\$ (15)</u>	<u>\$ 2,143</u>

Sutter Health and Affiliates
Consolidating Statement of Operations and Changes in Net Assets - Sutter Health Sacramento Sierra Region
Year ended December 31, 2013
(Dollars in millions)

	Sutter Health Sacramento Sierra Region and Affiliates	Sutter Medical Foundation and Subsidiaries	Roseville Endoscopy Center LLC	Sutter Amador Surgery Center LLC	Adjustments and Eliminations	Consolidated
Unrestricted net assets:						
Operating revenues:						
Patient service revenues	\$ 1,693	\$ 579	\$ 8	\$ 2	\$ (50)	\$ 2,232
Provision for bad debts	(45)	(26)	-	-	-	(71)
Patient service revenues less provision for bad debts	1,648	553	8	2	(50)	2,161
Capitation revenues	198	192	-	-	(4)	386
Contributions	1	-	-	-	-	1
Other	37	47	-	-	(38)	46
Total operating revenues	1,884	792	8	2	(92)	2,594
Operating expenses:						
Salaries and employee benefits	893	205	-	-	(48)	1,050
Purchased services	267	388	3	1	(30)	629
Supplies	273	40	1	1	-	315
Depreciation and amortization	75	35	-	-	-	110
Capitated purchased services	52	71	-	-	(6)	117
Rentals and leases	20	23	-	-	(5)	38
Interest	13	7	-	-	-	20
Insurance	15	8	-	-	-	23
Other	131	13	-	-	(1)	143
Total operating expenses	1,739	790	4	2	(90)	2,445
Income (loss) from operations	145	2	4	-	(2)	149
Investment income	2	-	-	-	-	2
Change in net unrealized gains and losses on investments classified as trading	-	-	-	-	-	-
Income (loss)	147	2	4	-	(2)	151
Less income attributable to noncontrolling interests	-	(2)	-	-	(2)	(4)
Income (loss) attributable to Sutter Health	147	-	4	-	(4)	147

Sutter Health and Affiliates
Consolidating Statement of Operations and Changes in Net Assets - Sutter Health Sacramento Sierra Region (continued)
Year ended December 31, 2013
(Dollars in millions)

	Sutter Health Sacramento Sierra Region and Affiliates	Sutter Medical Foundation and Subsidiaries	Roseville Endoscopy Center LLC	Sutter Amador Surgery Center LLC	Adjustments and Eliminations	Consolidated
Unrestricted net assets (continued):						
Unrestricted controlling net assets:						
Income (loss) attributable to Sutter Health	\$ 147	\$ -	\$ 4	\$ -	\$ (4)	\$ 147
Change in net unrealized gains and losses on investments classified as other-than-trading	-	(1)	-	-	-	(1)
Net assets released from restriction for equipment acquisition	2	-	-	-	-	2
Pension-related changes other than net periodic pension cost	-	-	-	-	-	-
Transfers with related entities, net	(147)	(22)	-	-	-	(169)
Other	2	1	(4)	-	3	2
Increase (decrease) in unrestricted controlling net assets	4	(22)	-	-	(1)	(19)
Unrestricted noncontrolling net assets:						
Income attributable to noncontrolling interests	-	2	-	-	2	4
Distributions	-	(1)	(2)	-	-	(3)
Contributed capital	-	-	-	-	-	-
Other	-	-	2	-	(2)	-
Increase (decrease) in unrestricted noncontrolling net assets	-	1	-	-	-	1
Temporarily restricted net assets:						
Contributions	6	1	-	-	-	7
Investment income	-	-	-	-	-	-
Change in net unrealized gains and losses on investments	-	-	-	-	-	-
Net assets released from restriction	(5)	(1)	-	-	-	(6)
Other	-	-	-	-	-	-
Increase (decrease) in temporarily restricted net assets	1	-	-	-	-	1
Permanently restricted net assets:						
Contributions	-	-	-	-	-	-
Investment income	-	-	-	-	-	-
Change in net unrealized gains and losses on investments	-	-	-	-	-	-
Other	-	-	-	-	-	-
Increase (decrease) in permanently restricted net assets	-	-	-	-	-	-
Increase (decrease) in net assets	5	(21)	-	-	(1)	(17)
Net assets, beginning of year	538	247	2	2	(2)	787
Net assets, end of year	\$ 543	\$ 226	\$ 2	\$ 2	\$ (3)	\$ 770

Sutter Health and Affiliates
Consolidating Balance Sheet - Sutter Health West Bay Region
December 31, 2013
(Dollars in millions)

	Sutter West Bay Hospitals and Affiliates	Sutter Pacific Medical Foundation	Adjustments and Eliminations	Consolidated
Assets				
Current assets:				
Cash and cash equivalents	\$ 45	\$ -	\$ (1)	\$ 44
Short-term investments	76	-	1	77
Patient accounts receivable, net	224	15	1	240
Other receivables	48	6	(1)	53
Inventories	17	-	-	17
Other	6	1	(1)	6
Total current assets	416	22	(1)	437
Non-current investments	338	-	-	338
Property, plant and equipment, net	1,266	32	-	1,298
Other	50	15	(1)	64
	<u>\$ 2,070</u>	<u>\$ 69</u>	<u>\$ (2)</u>	<u>\$ 2,137</u>
Liabilities and net assets				
Current liabilities:				
Accounts payable	\$ 52	\$ 8	\$ (1)	\$ 59
Accrued salaries and related benefits	100	5	-	105
Other accrued expenses	89	3	(1)	91
Current portion of long-term obligations	2	-	-	2
Total current liabilities	243	16	(2)	257
Non-current liabilities:				
Long-term obligations, less current portion	418	-	-	418
Other	13	1	-	14
Net assets:				
Unrestricted controlling	1,232	52	-	1,284
Unrestricted noncontrolling	7	-	-	7
Temporarily restricted	104	-	-	104
Permanently restricted	53	-	-	53
	<u>1,396</u>	<u>52</u>	<u>-</u>	<u>1,448</u>
	<u>\$ 2,070</u>	<u>\$ 69</u>	<u>\$ (2)</u>	<u>\$ 2,137</u>

Sutter Health and Affiliates
Consolidating Statement of Operations and Changes in Net Assets - Sutter Health West Bay Region
Year ended December 31, 2013
(Dollars in millions)

	Sutter West Bay Hospitals and Affiliates	Sutter Pacific Medical Foundation	Adjustments and Eliminations	Consolidated
Unrestricted net assets:				
Operating revenues:				
Patient service revenues	\$ 1,587	\$ 181	\$ (19)	\$ 1,749
Provision for bad debts	(84)	(5)	-	(89)
Patient service revenues less provision for bad debts	1,503	176	(19)	1,660
Capitation revenues	9	22	-	31
Contributions	2	-	-	2
Other	77	36	(29)	84
Total operating revenues	1,591	234	(48)	1,777
Operating expenses:				
Salaries and employee benefits	813	66	(19)	860
Purchased services	336	129	(23)	442
Supplies	165	16	-	181
Depreciation and amortization	160	10	-	170
Capitated purchased services	3	7	-	10
Rentals and leases	19	11	(4)	26
Interest	10	1	1	12
Insurance	11	2	(1)	12
Other	138	6	(2)	142
Total operating expenses	1,655	248	(48)	1,855
Income (loss) from operations	(64)	(14)	-	(78)
Investment income	34	-	-	34
Change in net unrealized gains and losses on investments classified as trading	-	-	-	-
Income (loss)	(30)	(14)	-	(44)
Less income attributable to noncontrolling interests	(14)	-	-	(14)
Income (loss) attributable to Sutter Health	(44)	(14)	-	(58)

Sutter Health and Affiliates
Consolidating Statement of Operations and Changes in Net Assets - Sutter Health West Bay Region (continued)
Year ended December 31, 2013
(Dollars in millions)

	Sutter West Bay Hospitals and Affiliates	Sutter Pacific Medical Foundation	Adjustments and Eliminations	Consolidated
Unrestricted net assets (continued):				
Unrestricted controlling net assets:				
Income (loss) attributable to Sutter Health	\$ (44)	\$ (14)	\$ -	\$ (58)
Change in net unrealized gains and losses on investments classified as other-than-trading	7	-	-	7
Net assets released from restriction for equipment acquisition	1	1	-	2
Pension-related changes other than net periodic pension cost	-	-	-	-
Transfers with related entities, net	(1)	12	-	11
Other	-	-	-	-
Increase (decrease) in unrestricted controlling net assets	(37)	(1)	-	(38)
Unrestricted noncontrolling net assets:				
Income attributable to noncontrolling interests	14	-	-	14
Distributions	(13)	-	-	(13)
Contributed capital	-	-	-	-
Other	-	-	-	-
Increase (decrease) in unrestricted noncontrolling net assets	1	-	-	1
Temporarily restricted net assets:				
Contributions	21	1	(1)	21
Investment income	1	-	-	1
Change in net unrealized gains and losses on investments	1	-	-	1
Net assets released from restriction	(10)	(1)	1	(10)
Other	(1)	-	-	(1)
Increase (decrease) in temporarily restricted net assets	12	-	-	12
Permanently restricted net assets:				
Contributions	-	-	-	-
Investment income	-	-	-	-
Change in net unrealized gains and losses on investments	-	-	-	-
Other	-	-	-	-
Increase (decrease) in permanently restricted net assets	-	-	-	-
Increase (decrease) in net assets	(24)	(1)	-	(25)
Net assets, beginning of year	1,420	53	-	1,473
Net assets, end of year	\$ 1,396	\$ 52	\$ -	\$ 1,448

Sutter Health and Affiliates
Consolidating Balance Sheet - Other
December 31, 2013
(Dollars in millions)

	Sutter Coast Hospital	Sutter Health Pacific	Sutter Health Plan	Sutter Care at Home	Adjustments and Eliminations	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	\$ 2	\$ 1	\$ 42	\$ 4	\$ -	\$ 49
Short-term investments	-	-	-	14	-	14
Patient accounts receivable, net	12	6	-	42	1	61
Other receivables	2	-	-	12	(1)	13
Inventories	1	-	-	1	-	2
Other	-	1	-	-	-	1
Total current assets	17	8	42	73	-	140
Non-current investments	-	-	-	-	-	-
Property, plant and equipment, net	16	6	1	9	-	32
Other	1	-	-	1	-	2
	<u>\$ 34</u>	<u>\$ 14</u>	<u>\$ 43</u>	<u>\$ 83</u>	<u>\$ -</u>	<u>\$ 174</u>
Liabilities and net assets						
Current liabilities:						
Accounts payable	\$ 1	\$ -	\$ 7	\$ 4	\$ 1	\$ 13
Accrued salaries and related benefits	4	1	-	12	-	17
Other accrued expenses	2	1	7	6	(1)	15
Current portion of long-term obligations	-	-	-	-	-	-
Total current liabilities	7	2	14	22	-	45
Non-current liabilities:						
Long-term obligations, less current portion	13	-	-	-	-	13
Other	1	-	-	-	-	1
Net assets:						
Unrestricted controlling	13	12	29	60	-	114
Unrestricted noncontrolling	-	-	-	-	-	-
Temporarily restricted	-	-	-	1	-	1
Permanently restricted	-	-	-	-	-	-
	<u>13</u>	<u>12</u>	<u>29</u>	<u>61</u>	<u>-</u>	<u>115</u>
	<u>\$ 34</u>	<u>\$ 14</u>	<u>\$ 43</u>	<u>\$ 83</u>	<u>\$ -</u>	<u>\$ 174</u>

Sutter Health and Affiliates
Consolidating Statement of Operations and Changes in Net Assets - Other
Year ended December 31, 2013
(Dollars in millions)

	Sutter Coast Hospital	Sutter Health Pacific	Sutter Health Plan	Sutter Care at Home	Adjustments and Eliminations	Consolidated
Unrestricted net assets:						
Operating revenues:						
Patient service revenues	\$ 67	\$ 24	\$ -	\$ 207	\$ -	\$ 298
Provision for bad debts	(4)	-	-	(5)	-	(9)
Patient service revenues less provision for bad debts	63	24	-	202	-	289
Capitation revenues	-	-	-	10	-	10
Contributions	-	-	-	1	-	1
Other	1	-	-	14	1	16
Total operating revenues	64	24	-	227	1	316
Operating expenses:						
Salaries and employee benefits	36	15	4	156	-	211
Purchased services	16	4	41	28	-	89
Supplies	6	1	-	20	1	28
Depreciation and amortization	4	1	-	3	(1)	7
Capitated purchased services	-	-	-	-	-	-
Rentals and leases	1	-	-	5	1	7
Interest	-	-	-	1	-	1
Insurance	1	-	-	-	1	2
Other	2	1	1	11	-	15
Total operating expenses	66	22	46	224	2	360
Income (loss) from operations	(2)	2	(46)	3	(1)	(44)
Investment income	-	-	-	1	-	1
Change in net unrealized gains and losses on investments classified as trading	-	-	-	-	-	-
Income (loss)	(2)	2	(46)	4	(1)	(43)
Less income attributable to noncontrolling interests	-	-	-	-	-	-
Income (loss) attributable to Sutter Health	(2)	2	(46)	4	(1)	(43)

Sutter Health and Affiliates
Consolidating Statement of Operations and Changes in Net Assets - Other (continued)
Year ended December 31, 2013
(Dollars in millions)

	Sutter Coast Hospital	Sutter Health Pacific	Sutter Health Plan	Sutter Care at Home	Adjustments and Eliminations	Consolidated
Unrestricted net assets (continued):						
Unrestricted controlling net assets:						
Income (loss) attributable to Sutter Health	\$ (2)	\$ 2	\$ (46)	\$ 4	\$ (1)	\$ (43)
Change in net unrealized gains and losses on investments classified as other-than-trading	-	-	-	1	-	1
Net assets released from restriction for equipment acquisition	-	-	-	-	-	-
Pension-related changes other than net periodic pension cost	-	-	-	-	-	-
Transfers with related entities, net	3	(1)	76	10	(1)	87
Other	(1)	-	(1)	-	2	-
Increase (decrease) in unrestricted controlling net assets	-	1	29	15	-	45
Unrestricted noncontrolling net assets:						
Income attributable to noncontrolling interests	-	-	-	-	-	-
Distributions	-	-	-	-	-	-
Contributed capital	-	-	-	-	-	-
Other	-	-	-	-	-	-
Increase (decrease) in unrestricted noncontrolling net assets	-	-	-	-	-	-
Temporarily restricted net assets:						
Contributions	-	-	-	1	-	1
Investment income	-	-	-	-	-	-
Change in net unrealized gains and losses on investments	-	-	-	-	-	-
Net assets released from restriction	-	-	-	(1)	-	(1)
Other	-	-	-	-	-	-
Increase (decrease) in temporarily restricted net assets	-	-	-	-	-	-
Permanently restricted net assets:						
Contributions	-	-	-	-	-	-
Investment income	-	-	-	-	-	-
Change in net unrealized gains and losses on investments	-	-	-	-	-	-
Other	-	-	-	-	-	-
Increase (decrease) in permanently restricted net assets	-	-	-	-	-	-
Increase (decrease) in net assets	-	1	29	15	-	45
Net assets, beginning of year	13	11	-	46	-	70
Net assets, end of year	\$ 13	\$ 12	\$ 29	\$ 61	\$ -	\$ 115

Sutter Health and Affiliates

Consolidated Balance Sheets - Sutter Health Obligated Group

(Dollars in millions)

	December 31,	
	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 255	\$ 371
Short-term investments	3,445	2,606
Patient accounts receivable (net of allowance for doubtful accounts of \$310 in 2013 and \$298 in 2012)	1,163	1,052
Other receivables	213	214
Inventories	90	91
Other	60	68
Total current assets	5,226	4,402
Non-current investments	565	546
Property, plant and equipment, net	6,602	6,165
Other	812	334
	<u>\$ 13,205</u>	<u>\$ 11,447</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 413	\$ 319
Accrued salaries and related benefits	524	494
Other accrued expenses	422	409
Current portion of long-term obligations	16	16
Total current liabilities	1,375	1,238
Non-current liabilities:		
Long-term obligations, less current portion	3,762	2,994
Other	555	599
Net assets:		
Unrestricted controlling	7,359	6,485
Unrestricted noncontrolling	73	54
Temporarily restricted	68	64
Permanently restricted	13	13
	<u>7,513</u>	<u>6,616</u>
	<u>\$ 13,205</u>	<u>\$ 11,447</u>

Sutter Health and Affiliates

Consolidated Statements of Operations and Changes in Net Assets - Sutter Health Obligated Group

(Dollars in millions)

	Year ended December 31,	
	2013	2012
Unrestricted net assets:		
Operating revenues:		
Patient service revenues	\$ 8,447	\$ 8,326
Provision for bad debts	(400)	(365)
Patient service revenues less provision for bad debts	8,047	7,961
Capitation revenues	887	925
Contributions	4	5
Other	324	314
Total operating revenues	9,262	9,205
Operating expenses:		
Salaries and employee benefits	4,311	4,171
Purchased services	2,155	1,997
Supplies	1,025	988
Depreciation and amortization	585	454
Capitated purchased services	233	247
Rentals and leases	126	114
Interest	75	72
Insurance	85	55
Other	629	510
Total operating expenses	9,224	8,608
Income from operations	38	597
Investment income	151	96
Change in net unrealized gains and losses on investments classified as trading	196	111
Income	385	804
Less income attributable to noncontrolling interests	(44)	(41)
Income attributable to Sutter Health	341	763

Sutter Health and Affiliates

Consolidated Statements of Operations and Changes in Net Assets - Sutter Health Obligated Group (continued)

(Dollars in millions)

	Year ended December 31,	
	2013	2012
Unrestricted net assets (continued):		
Unrestricted controlling net assets:		
Income attributable to Sutter Health	\$ 341	\$ 763
Change in net unrealized gains and losses on investments classified as other-than-trading	(23)	6
Net assets released from restrictions for equipment acquisition	6	11
Pension-related changes other than net periodic pension cost	634	35
Transfers with related entities, net	(100)	(118)
Other	16	6
Increase in unrestricted controlling net assets	874	703
Unrestricted noncontrolling net assets:		
Income attributable to noncontrolling interests	44	41
Distributions	(42)	(37)
Contributed capital	2	6
Other	15	2
Increase in unrestricted noncontrolling net assets	19	12
Temporarily restricted net assets:		
Contributions	10	15
Investment income	1	1
Change in net unrealized gains and losses on investments	1	4
Net assets released from restrictions	(7)	(15)
Other	(1)	1
Increase in temporarily restricted net assets	4	6
Increase in net assets	897	721
Net assets, beginning of year	6,616	5,895
Net assets, end of year	\$ 7,513	\$ 6,616

Sutter Health and Affiliates

Consolidated Statements of Cash Flows - Sutter Health Obligated Group

(Dollars in millions)

	Year ended December 31,	
	2013	2012
Operating activities		
Increase in net assets	\$ 897	\$ 721
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	492	451
Amortization of bond issuance (premium) discount, net	(10)	(7)
Change in net unrealized gains and losses on investments	(174)	(121)
Provision for doubtful accounts	400	365
Restricted contributions and investment income	(11)	(16)
Loss on impairment of property, plant and equipment	92	1
Change in net postretirement benefits	(486)	(39)
Net (gain) loss on disposal of property, plant and equipment	(1)	2
Net changes in operating assets and liabilities:		
Patient accounts receivable and other receivables	(510)	(370)
Inventories and other assets	(2)	—
Accounts payable and accrued expenses	147	87
Other non-current liabilities	(8)	30
Net cash provided by operating activities	826	1,104
Investing activities		
Purchases of property, plant and equipment	(1,032)	(998)
Proceeds from disposal of property, plant and equipment	7	—
(Purchases) sales or maturities of investments, net	(684)	407
Other	(16)	(15)
Net cash used in investing activities	(1,725)	(606)

Sutter Health and Affiliates

Consolidated Statements of Cash Flows - Sutter Health Obligated Group (continued)

(Dollars in millions)

	Year ended December 31,	
	2013	2012
Financing activities		
Payments of long-term obligations	\$ (17)	\$ (21)
Payments for bond redemption	—	(502)
Proceeds from issuance of long-term obligations	757	120
Bond issuance costs	(6)	(2)
Bond issuance premium	38	14
Restricted contributions and investment income	11	16
Net cash provided by (used in) financing activities	783	(375)
Net (decrease) increase in cash and cash equivalents	(116)	123
Cash and cash equivalents at beginning of year	371	248
Cash and cash equivalents at end of year	\$ 255	\$ 371
Supplementary disclosures of cash flow information:		
Cash paid during the year for interest (net of capitalized interest costs of \$86 in 2013 and \$87 in 2012)	\$ 66	\$ 74

Sutter Health and Affiliates
Consolidating Balance Sheet - Sutter Health Obligated Group
December 31, 2013
(Dollars in millions)

	Sutter Central Valley Hospitals	Sutter Gould Medical Foundation	Sutter East Bay Hospitals and Affiliates	Eden Medical Center	Sutter Medical Center Castro Valley	Mills- Peninsula Health Services	Palo Alto Medical Foundation for Health Care, Research and Education	Sutter Health Sacramento Sierra Region
Assets								
Current assets:								
Cash and cash equivalents	\$ 23	\$ 53	\$ 57	\$ 2	\$ 8	\$ 20	\$ 103	\$ 70
Short-term investments	-	-	-	-	-	(1)	24	-
Patient accounts receivable, net	95	27	186	9	54	68	113	271
Other receivables	24	3	32	1	9	4	30	30
Inventories	9	2	14	-	4	7	2	26
Other	-	-	4	-	1	3	6	5
Total current assets	151	85	293	12	76	101	278	402
Non-current investments	12	21	44	-	-	11	236	62
Property, plant and equipment, net	302	129	671	-	365	695	960	1,247
Other	4	4	17	5	12	2	24	27
	<u>\$ 469</u>	<u>\$ 239</u>	<u>\$ 1,025</u>	<u>\$ 17</u>	<u>\$ 453</u>	<u>\$ 809</u>	<u>\$ 1,498</u>	<u>\$ 1,738</u>
Liabilities and net assets								
Current liabilities:								
Accounts payable	\$ 19	\$ 5	\$ 19	\$ 2	\$ 2	\$ 12	\$ 20	\$ 73
Accrued salaries and related benefits	44	7	49	-	10	27	62	74
Other accrued expenses	54	44	118	11	32	38	86	150
Current portion of long-term obligations	4	-	2	-	-	-	-	6
Total current liabilities	121	56	188	13	44	77	168	303
Non-current liabilities:								
Long-term obligations, less current portion	157	171	436	-	288	512	648	938
Other	3	-	5	-	1	3	4	14
Net assets:								
Unrestricted controlling	188	12	386	4	116	216	635	481
Unrestricted noncontrolling	-	-	7	-	-	-	-	-
Temporarily restricted	-	-	-	-	4	1	33	2
Permanently restricted	-	-	3	-	-	-	10	-
	<u>188</u>	<u>12</u>	<u>396</u>	<u>4</u>	<u>120</u>	<u>217</u>	<u>678</u>	<u>483</u>
	<u>\$ 469</u>	<u>\$ 239</u>	<u>\$ 1,025</u>	<u>\$ 17</u>	<u>\$ 453</u>	<u>\$ 809</u>	<u>\$ 1,498</u>	<u>\$ 1,738</u>

Sutter Health and Affiliates
Consolidating Balance Sheet - Sutter Health Obligated Group (continued)
December 31, 2013
(Dollars in millions)

	Sutter Medical Foundation and Subsidiaries	Roseville Endoscopy Center LLC	Sutter Amador Surgery Center LLC	Sutter West Bay Hospitals and Affiliates	Sutter Coast Hospital	Sutter Care at Home	Sutter Health Support Services	Adjustments and Eliminations	Consolidated
Assets									
Current assets:									
Cash and cash equivalents	\$ 34	\$ 2	\$ -	\$ 36	\$ 2	\$ 4	\$ 64	\$ (223)	\$ 255
Short-term investments	-	-	-	3	-	14	3,181	224	3,445
Patient accounts receivable, net	63	1	-	224	12	42	11	(13)	1,163
Other receivables	21	-	-	40	2	12	416	(411)	213
Inventories	6	-	-	17	1	1	2	(1)	90
Other	2	-	-	6	-	-	34	(1)	60
Total current assets	126	3	-	326	17	73	3,708	(425)	5,226
Non-current investments	3	-	-	170	-	-	5	1	565
Property, plant and equipment, net	208	-	-	1,259	16	9	741	-	6,602
Other	17	-	2	37	1	1	719	(60)	812
	<u>\$ 354</u>	<u>\$ 3</u>	<u>\$ 2</u>	<u>\$ 1,792</u>	<u>\$ 34</u>	<u>\$ 83</u>	<u>\$ 5,173</u>	<u>\$ (484)</u>	<u>\$ 13,205</u>
Liabilities and net assets									
Current liabilities:									
Accounts payable	\$ 12	\$ -	\$ -	\$ 51	\$ 1	\$ 4	\$ 190	\$ 3	\$ 413
Accrued salaries and related benefits	15	-	-	100	4	12	119	1	524
Other accrued expenses	53	1	-	88	2	6	185	(446)	422
Current portion of long-term obligations	3	-	-	2	-	-	-	(1)	16
Total current liabilities	83	1	-	241	7	22	494	(443)	1,375
Non-current liabilities:									
Long-term obligations, less current portion	39	-	-	418	13	-	143	(1)	3,762
Other	6	-	-	9	1	-	524	(15)	555
Net assets:									
Unrestricted controlling	221	3	2	1,093	13	60	3,964	(35)	7,359
Unrestricted noncontrolling	4	(1)	-	6	-	-	47	10	73
Temporarily restricted	1	-	-	25	-	1	1	-	68
Permanently restricted	-	-	-	-	-	-	-	-	13
	<u>226</u>	<u>2</u>	<u>2</u>	<u>1,124</u>	<u>13</u>	<u>61</u>	<u>4,012</u>	<u>(25)</u>	<u>7,513</u>
	<u>\$ 354</u>	<u>\$ 3</u>	<u>\$ 2</u>	<u>\$ 1,792</u>	<u>\$ 34</u>	<u>\$ 83</u>	<u>\$ 5,173</u>	<u>\$ (484)</u>	<u>\$ 13,205</u>

Sutter Health and Affiliates
Consolidating Statement of Operations and Changes in Net Assets - Sutter Health Obligated Group
Year ended December 31, 2013
(Dollars in millions)

	Sutter Central Valley Hospitals	Sutter Gould Medical Foundation	Sutter East Bay Hospitals and Affiliates	Eden Medical Center	Sutter Medical Center Castro Valley	Mills- Peninsula Health Services	Palo Alto Medical Foundation for Health Care, Research and Education	Sutter Health Sacramento Sierra Region
Unrestricted net assets:								
Operating revenues:								
Patient service revenues	\$ 708	\$ 241	\$ 1,246	\$ 46	\$ 297	\$ 554	\$ 1,319	\$ 1,693
Provision for bad debts	(85)	(14)	(67)	5	(36)	(15)	(22)	(45)
Patient service revenues less provision for bad debts	623	227	1,179	51	261	539	1,297	1,648
Capitation revenues	69	79	-	-	-	49	295	199
Contributions	-	-	-	-	-	-	2	-
Other	15	11	34	1	8	23	55	36
Total operating revenues	707	317	1,213	52	269	611	1,649	1,883
Operating expenses:								
Salaries and employee benefits	304	71	630	41	138	263	415	891
Purchased services	97	165	283	24	58	101	710	265
Supplies	90	22	158	6	25	59	126	274
Depreciation and amortization	38	12	62	1	26	60	64	75
Capitated purchased services	26	27	-	-	-	8	66	52
Rentals and leases	3	3	11	-	2	5	26	20
Interest	7	4	5	-	10	19	17	13
Insurance	6	1	13	1	2	4	12	15
Other	55	6	113	30	20	39	27	133
Total operating expenses	626	311	1,275	103	281	558	1,463	1,738
Income (loss) from operations	81	6	(62)	(51)	(12)	53	186	145
Investment income	1	-	-	-	-	-	5	1
Change in net unrealized gains and losses on investments classified as trading	-	-	-	-	-	-	-	-
Income (loss)	82	6	(62)	(51)	(12)	53	191	146
Less income attributable to noncontrolling interests	-	-	(6)	-	-	-	-	-
Income (loss) attributable to Sutter Health	82	6	(68)	(51)	(12)	53	191	146

Sutter Health and Affiliates
Consolidating Statement of Operations and Changes in Net Assets - Sutter Health Obligated Group (continued)
Year ended December 31, 2013
(Dollars in millions)

	Sutter Medical Foundation and Subsidiaries	Roseville Endoscopy Center LLC	Sutter Amador Surgery Center LLC	Sutter West Bay Hospitals and Affiliates	Sutter Coast Hospital	Sutter Care at Home	Sutter Health Support Services	Adjustments and Eliminations	Consolidated
Unrestricted net assets:									
Operating revenues:									
Patient service revenues	\$ 579	\$ 8	\$ 2	\$ 1,587	\$ 67	\$ 207	\$ 70	\$ (177)	\$ 8,447
Provision for bad debts	(26)	-	-	(84)	(4)	(5)	(1)	(1)	(400)
Patient service revenues less provision for bad debts	553	8	2	1,503	63	202	69	(178)	8,047
Capitation revenues	192	-	-	9	-	10	-	(15)	887
Contributions	-	-	-	-	-	1	-	1	4
Other	47	-	-	79	1	14	783	(783)	324
Total operating revenues	792	8	2	1,591	64	227	852	(975)	9,262
Operating expenses:									
Salaries and employee benefits	205	-	-	808	36	156	540	(187)	4,311
Purchased services	388	3	1	334	16	28	354	(672)	2,155
Supplies	40	1	1	165	6	20	33	(1)	1,025
Depreciation and amortization	35	-	-	159	4	3	103	(57)	585
Capitated purchased services	71	-	-	3	-	-	-	(20)	233
Rentals and leases	23	-	-	18	1	5	19	(10)	126
Interest	7	-	-	10	-	1	(19)	1	75
Insurance	8	-	-	11	1	-	12	(1)	85
Other	13	-	-	135	2	11	63	(18)	629
Total operating expenses	790	4	2	1,643	66	224	1,105	(965)	9,224
Income (loss) from operations	2	4	-	(52)	(2)	3	(253)	(10)	38
Investment income	-	-	-	14	-	1	128	1	151
Change in net unrealized gains and losses on investments classified as trading	-	-	-	-	-	-	196	-	196
Income (loss)	2	4	-	(38)	(2)	4	71	(9)	385
Less income attributable to noncontrolling interests	(2)	-	-	(14)	-	-	(14)	(8)	(44)
Income (loss) attributable to Sutter Health	-	4	-	(52)	(2)	4	57	(17)	341

Sutter Health and Affiliates
Consolidating Statement of Operations and Changes in Net Assets - Sutter Health Obligated Group (continued)
Year ended December 31, 2013
(Dollars in millions)

	Sutter Central Valley Hospitals	Sutter Gould Medical Foundation	Sutter East Bay Hospitals and Affiliates	Eden Medical Center	Sutter Medical Center Castro Valley	Mills- Peninsula Health Services	Palo Alto Medical Foundation for Health Care, Research and Education	Sutter Health Sacramento Sierra Region
Unrestricted net assets (continued):								
Unrestricted controlling net assets:								
Income (loss) attributable to Sutter Health	\$ 82	\$ 6	\$ (68)	\$ (51)	\$ (12)	\$ 53	\$ 191	\$ 146
Change in net unrealized gains and losses on investments classified as other-than-trading	-	(2)	-	-	-	(1)	(9)	(2)
Net assets released from restriction for equipment acquisition	1	-	-	-	-	1	-	2
Pension-related changes other than net periodic pension cost	-	-	-	-	-	-	-	-
Transfers with related entities, net	(65)	-	64	21	44	(122)	(282)	(147)
Other	1	1	(3)	(4)	4	1	-	1
Increase (decrease) in unrestricted controlling net assets	19	5	(7)	(34)	36	(68)	(100)	-
Unrestricted noncontrolling net assets:								
Income attributable to noncontrolling interests	-	-	6	-	-	-	-	-
Distributions	-	-	(2)	-	-	-	-	-
Contributed capital	-	-	-	-	-	-	-	-
Other	-	-	(1)	-	-	-	-	-
Increase (decrease) in unrestricted noncontrolling net assets	-	-	3	-	-	-	-	-
Temporarily restricted net assets:								
Contributions	-	-	-	-	-	-	5	2
Investment income	-	-	-	-	-	-	-	-
Change in net unrealized gains and losses on investments	-	-	-	-	-	-	1	-
Net assets released from restriction	-	-	-	-	-	-	(2)	(1)
Other	-	-	-	(4)	4	-	1	-
Increase (decrease) in temporarily restricted net assets	-	-	-	(4)	4	-	5	1
Increase (decrease) in net assets	19	5	(4)	(38)	40	(68)	(95)	1
Net assets, beginning of year	169	7	400	42	80	285	773	482
Net assets, end of year	\$ 188	\$ 12	\$ 396	\$ 4	\$ 120	\$ 217	\$ 678	\$ 483

Sutter Health and Affiliates
Consolidating Statement of Operations and Changes in Net Assets - Sutter Health Obligated Group (continued)
Year ended December 31, 2013
(Dollars in millions)

	Sutter Medical Foundation and Subsidiaries	Roseville Endoscopy Center LLC	Sutter Amador Surgery Center LLC	Sutter West Bay Hospitals and Affiliates	Sutter Coast Hospital	Sutter Care at Home	Sutter Health Support Services	Adjustments and Eliminations	Consolidated
Unrestricted net assets (continued):									
Unrestricted controlling net assets:									
Income (loss) attributable to Sutter Health	\$ -	\$ 4	\$ -	\$ (52)	\$ (2)	\$ 4	\$ 57	\$ (17)	\$ 341
Change in net unrealized gains and losses on investments classified as other-than-trading	(1)	-	-	2	-	1	(11)	-	(23)
Net assets released from restriction for equipment acquisition	-	-	-	1	-	-	-	1	6
Pension-related changes other than net periodic pension cost	-	-	-	-	-	-	634	-	634
Transfers with related entities, net	(22)	-	-	(8)	3	10	406	(2)	(100)
Other	1	(4)	-	-	(1)	-	1	18	16
Increase (decrease) in unrestricted controlling net assets	(22)	-	-	(57)	-	15	1,087	-	874
Unrestricted noncontrolling net assets:									
Income attributable to noncontrolling interests	2	-	-	14	-	-	14	8	44
Distributions	(1)	(2)	-	(14)	-	-	(23)	-	(42)
Contributed capital	-	-	-	-	-	-	1	1	2
Other	-	2	-	-	-	-	22	(8)	15
Increase (decrease) in unrestricted noncontrolling net assets	1	-	-	-	-	-	14	1	19
Temporarily restricted net assets:									
Contributions	1	-	-	3	-	1	-	(2)	10
Investment income	-	-	-	-	-	-	-	1	1
Change in net unrealized gains and losses on investments	-	-	-	-	-	-	-	-	1
Net assets released from restriction	(1)	-	-	(3)	-	(1)	(1)	2	(7)
Other	-	-	-	-	-	-	-	(2)	(1)
Increase (decrease) in temporarily restricted net assets	-	-	-	-	-	-	(1)	(1)	4
Increase (decrease) in net assets	(21)	-	-	(57)	-	15	1,100	-	897
Net assets, beginning of year	247	2	2	1,181	13	46	2,912	(25)	6,616
Net assets, end of year	\$ 226	\$ 2	\$ 2	\$ 1,124	\$ 13	\$ 61	\$ 4,012	\$ (25)	\$ 7,513

**CONTINUING DISCLOSURE REPORT OF SUTTER HEALTH
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

This report (the "Continuing Disclosure Report") contains an update of certain information contained in Appendix A of the Official Statements related to the issues identified below (collectively, the "Bonds") pursuant to Sutter Health's undertakings under the related continuing disclosure agreements (collectively, the "Disclosure Agreements").

<u>Bonds</u>	<u>CUSIP*</u>
California Statewide Communities Development Authority Revenue Bonds (Sutter Health), Series 2003A	130795EE3
California Statewide Communities Development Authority Revenue Bonds (Sutter Health), Series 2003B	130795EF0
California Statewide Communities Development Authority Revenue Bonds (Sutter Health), Series 2004C	130795TE7
California Statewide Communities Development Authority Revenue Bonds (Sutter Health), Series 2004D	130795TM9, 130795TN7
California Statewide Communities Development Authority Revenue Bonds (Sutter Health) Series 2005A	130911U24
California Statewide Communities Development Authority Revenue Bonds (Sutter Health), Series 2005B	130795EG8
California Statewide Communities Development Authority Revenue Bonds (Sutter Health), Series 2005C	130795ED5
California Health Facilities Financing Authority Revenue Bonds (Sutter Health), Series 2007A	13033FQ37, 13033FQ45
California Health Facilities Financing Authority Revenue Bonds (Sutter Health), Series 2008A	13033F2Z2, 13033F2Y5, 13033F2S8, 13033F2T6, 13033F2U3, 13033F2V1, 13033F2W9, 13033F2X7
California Statewide Communities Development Authority Revenue Bonds (Sutter Health), Series 2008B	130795UD7

* A registered trademark of The American Bankers Association. CUSIP is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers are provided for convenience of reference only. Sutter Health does not assume any responsibility for the accuracy of such numbers.

<u>Bonds</u>	<u>CUSIP*</u>
California Statewide Communities Development Authority Revenue Bonds (Sutter Health), Series 2008C	130795TD9
California Statewide Communities Development Authority Revenue Bonds (Sutter Health), Series 2011A	1307952F3, 1307952G1, 1307952H9, 1307952J5, 1307952K2, 1307952L0, 1307952M8, 1307952N6, 1307952R7, 1307952P1, 1307952Q9
California Health Facilities Financing Authority (Sutter Health), Series 2011B	13033LKL0, 13033LKM8, 13033LKN6, 13033LKP1, 13033LKQ9, 13033LKR7, 13033LKS5, 13033LKT3, 13033LKX4, 13033LKU0, 13033LKV8, 13033LKW6
California Statewide Communities Development Authority Revenue Bonds (Sutter Health), Series 2011C	1307954L8, 1307954M6, 1307954N4, 1307954P9, 1307954V6, 1307954Q7, 1307954W4, 1307954R5, 1307954X2, 1307954S3, 1307954T1, 1307954Y0, 1307954U8
California Health Facilities Financing Authority Revenue Bonds (Sutter Health), Series 2011D	13033LVL8, 13033LVM6, 13033LVN4, 13033LVP9, 13033LVQ7, 13033LVR5, 13033LVS3, 13033LVT1, 13033LVU8, 13033LVX2, 13033LVV6, 13033LVW4
California Statewide Communities Development Authority Revenue Bonds (Sutter Health), Series 2012A	1307955Z6, 1307956L6, 1307956A0, 1307956R3, 1307956M4, 1307956B8, 1307956N2, 1307956C6, 1307956D4, 1307956P7, 1307956E2, 1307956F9, 1307956G7, 1307956H5, 1307956J1, 1307956Q5, 1307956S1, 1307956K8
California Health Facilities Financing Authority Revenue Bonds (Sutter Health), Series 2013A	13033LW52
Sutter Health Taxable Bonds, Series 2013A	86944B AA1
Sutter Health Taxable Bonds, Series 2013B	86944B AB9
Sutter Health Taxable Bonds, Series 2013C	86944B AC7

Employees, Unions and Collective Bargaining Units

As of December 31, 2013, the Sutter Health system had approximately 48,000 employees, of which approximately 28,000 are full-time employees. Approximately 4,000 of these 48,000 employees are employed by Sutter Health and the remaining employees are employed by Affiliated Entities. Approximately 24% of these employees (employed at 24 Sutter Health facilities) are represented by collective bargaining units, with 49 collective bargaining agreements in place that are subject to renegotiation from time to time. Renegotiation could result in work stoppages or other adverse labor actions and potential sympathy walkouts. Labor strikes have occurred in the past at the Obligated Group's facilities and likely will occur again in the future.

* A registered trademark of The American Bankers Association. CUSIP is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers are provided for convenience of reference only. Sutter Health does not assume any responsibility for the accuracy of such numbers.

List of Obligated Group Members

As of December 31 2013, the Obligated Group Members consisted of the following:

- Eden Medical Center
- Mills-Peninsula Health Services
- Palo Alto Medical Foundation for Health Care, Research and Education
- Sutter Central Valley Hospitals
- Sutter Coast Hospital
- Sutter East Bay Hospitals
- Sutter Gould Medical Foundation
- Sutter Health
- Sutter Health Sacramento Sierra Region
- Sutter Medical Center Castro Valley
- Sutter Medical Foundation
- Sutter Visiting Nurse Association and Hospice
- Sutter West Bay Hospitals

Obligated Group Utilization Information

The following tables summarize the Obligated Group's utilization data for the fiscal year ended December 31, 2013.

Obligated Group Acute Care Facility Utilization

	Fiscal Year Ended December 31, 2013
Licensed Beds	4,335 ⁽¹⁾
Beds in Service	4,287
Admissions ⁽²⁾	196,608
Patient Days ⁽²⁾	871,630
Average Length of Stay (Days)	4.4
Occupancy % ⁽³⁾	54.7
Emergency Room Visits ⁽⁴⁾	780,927

⁽¹⁾ Revised from past continuing disclosure reports to conform to the the Office of Statewide Health Planning and Development's definition of "licensed bed."

⁽²⁾ Excluding well newborns.

⁽³⁾ Based on Beds in Service.

⁽⁴⁾ Does not include Emergency Room patients subsequently admitted as inpatients.

Obligated Group Long-Term Care Facility Utilization Data

As of December 31, 2013, there were no free-standing skilled nursing facilities operating under their own license or Medicare provider numbers.

Obligated Group Medical Foundations Operating Data

The following table summarizes the Obligated Group Medical Foundations' operating data for the fiscal year ended December 31, 2013.

Obligated Group Medical Foundations Operating Data

	Fiscal Year Ended December 31, 2013
Physicians	1,739
Facilities	158
Capitated Members	261,260
Outpatient Visits	7,160,402

Sources of Revenues

Following is a summary of gross patient revenue for the Obligated Group by payer source for the fiscal year ended December 31, 2013.

Obligated Group Payer Mix December 31, 2013

	Medicare		Medi-Cal		Commercial Programs		Other Payers
	Non-Capitated	Capitated	Non-Capitated	Capitated	Non-Capitated	Capitated	
Total Obligated Group	36.6%	5.0%	16.1%	0.2%	32.8%	2.5%	6.8%
Acute Care Hospitals	38.7%	4.7%	18.4%	0.2%	29.1%	1.1%	7.8%
Medical Foundations	25.6%	6.4%	4.0%	0.3%	51.9%	9.9%	1.9%

The following summarizes the number of individuals in each region for whom Sutter Health system physician organizations and hospitals provide health care services on a capitated basis as of December 31, 2013.

Sutter Health Capitated Members ⁽¹⁾ December 31, 2013

	Central Valley Region	East Bay Region	Peninsula Coastal Region	Sacramento Sierra Region	West Bay Region	Total
Physician Organizations ⁽²⁾	32,521	11,175	127,029	82,078	8,457	261,260
Hospitals	14,508	0	14,788	50,737	1,940	81,973
Elimination ⁽³⁾	(14,508)	0	(14,788)	(50,737)	(1,940)	(81,973)
Totals	32,521	11,175	127,029	82,078	8,457	261,260

⁽¹⁾ Includes Capitated Members of Non-Obligated Group Members.

⁽²⁾ Includes Capitated Members of Aligned IPAs and Medical Foundations.

⁽³⁾ Eliminates Capitated Members that are covered by both hospitals as well as physician organizations.

Summary Financial Information

A copy of Sutter Health's audited financial statements for the fiscal year ended December 31, 2013 (the "Financial Statements") has been provided within this package. Please note that this Continuing Disclosure Report should be read in conjunction with the Financial Statements. Included within the Financial Statements is a summary statement of operations of the Obligated Group and a summary balance sheet of the Obligated Group, each for the fiscal year ended December 31, 2013.

Fixed Payment Coverage Ratio

The table below sets forth the Obligated Group's funds generated to cover fixed payments for fiscal year 2013, and the Obligated Group's maximum annual fixed payment requirements of long-term debt and capital leases outstanding for that period.

Sutter Health Obligated Group Fixed Payment Coverage Ratio (dollars in millions)

	Fiscal Year Ended December 31, 2013
Income	341
Depreciation, amortization, loss on disposal of assets	585
Interest expense	<u>75</u>
Income available for debt service ⁽¹⁾	<u>\$1,001</u>
Interest and principal on long-term debt and payment requirements on capital leases	<u>\$231</u>
Fixed payment coverage ratio (times)	<u>4.3</u>

⁽¹⁾ Calculated in accordance with the Master Indenture.

Capitalization

The following table sets forth the actual capitalization of the Obligated Group as of December 31, 2013.

Capitalization of the Obligated Group (dollars in millions)

	Fiscal Year Ended December 31, 2013
Long-Term Debt, including current portion	<u>3,690</u>
Total Long-Term Debt	<u>\$3,690</u>
Net Assets:	
Unrestricted	7,432
Temporarily restricted	68
Permanently restricted	<u>13</u>
Total Net Assets	<u>\$7,513</u>
Total Capitalization	<u>\$11,203</u>
Long-Term Debt to Capitalization Ratio	32.94%

Contractual Obligations and Other Contingent Commercial Commitments of the Obligated Group

The Obligated Group's contractual debt and capital lease obligations at December 31, 2013, are shown in the table below.

Contractual Debt and Capital Lease Obligations As of December 31, 2013 (dollars in thousands)

	Total Outstanding	Principal Due During Fiscal Year 2014	Principal Due During Fiscal Years 2015 through 2017	Principal Due During Fiscal Years 2018 and thereafter
Long-term debt ⁽¹⁾	3,689,745	14,570	104,895	3,570,280
Capital Leases ⁽²⁾	5,000	159	0	4,841

⁽¹⁾ Secured under the Master Indenture.

⁽²⁾ Not secured under the Master Indenture.

The Obligated Group also is obligated with respect to the following contingent obligations, which are secured under the Master Indenture. Sutter Health management expects to renew or replace any letters of credit, as they expire, in accordance with the terms of such letters of credit.

Contingent Commercial Obligations As of December 31, 2013 (dollars in thousands)

	Total Outstanding Commitment	Total Outstanding Commitment During Fiscal Year 2014	Total Outstanding Commitment During Fiscal Years 2015 and thereafter
Letters of credit	1,829	1,829	0

Other Matters

This Continuing Disclosure Report is provided solely pursuant to the Disclosure Agreements. The filing of this Continuing Disclosure Report does not constitute or imply any representation (i) that all of the information provided herein is material to investors, (ii) regarding any other financial, operating or other information about Sutter Health, the Obligated Group Members or the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the quarter to which this Continuing Disclosure Report relates (other than as contained in this Continuing Disclosure Report), or any other date specified with respect to any of the information contained in this Continuing Disclosure Report, or that no other information exists, which may have a bearing on the security for the Bonds, or an investor's decision to buy, sell, or hold the Bonds. The information contained in this Continuing Disclosure Report has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this Continuing Disclosure Report should be construed as a prediction or representation about future financial performance of Sutter Health or any Obligated Group Member.

Dated: March 4, 2014


SUTTER HEALTH

Officer's Certificate of the Corporation
as to Compliance with No Event of Default Covenant

I, Robert D. Reed, Senior Vice President and Chief Financial Officer of Sutter Health (formerly Sutter Health/California Healthcare System), do hereby certify, in accordance with Section 3.09(c) of the Master Indenture of Trust by and between Sutter Health, the other Obligated Group Members (as defined therein) and U. S. Bank Trust, National Association, as Trustee, dated August 1, 1985, that, to the best of my knowledge,

No event which constitutes an Event of Default has occurred and is continuing as of the date of this certificate.

Certified by:


Robert D. Reed
Senior Vice President and Chief Financial Officer
Sutter Health

March 4, 2014

Supplemental Information

Acute Care Payer Mix

As of December 31, 2013	Medicare		Medi-Cal		Commercial		Other	Total
	Non-Capitated	Risk	Non-Capitated	Risk	Non-Sutter Risk	Risk		
Sutter Medical Center-Sacramento	31.4%	7.3%	26.5%	0.0%	23.7%	2.3%	8.8%	100.0%
Sutter Solano Medical Center	42.7%	0.0%	25.6%	0.0%	16.6%	0.0%	15.1%	100.0%
Sutter Davis Hospital	29.9%	7.4%	17.4%	0.0%	32.1%	6.3%	6.9%	100.0%
Sutter Coast Hospital	43.4%	0.0%	19.3%	0.0%	24.2%	0.0%	13.1%	100.0%
Sutter Delta Medical Center	43.0%	0.0%	24.4%	0.0%	21.2%	0.0%	11.4%	100.0%
Sutter Auburn Faith Hospital	48.5%	8.5%	11.0%	0.0%	20.8%	1.2%	10.0%	100.0%
Sutter Tracy Community Hospital	32.6%	0.0%	22.9%	0.0%	35.8%	0.0%	8.7%	100.0%
Sutter Roseville Medical Center	38.5%	8.0%	11.9%	0.0%	28.6%	2.0%	11.0%	100.0%
California Pacific Medical Center	41.6%	0.0%	13.7%	1.1%	38.3%	0.0%	5.3%	100.0%
Sutter Maternity and Surgery Center	23.6%	0.0%	8.9%	0.0%	62.3%	0.0%	5.2%	100.0%
Mills Peninsula Health Services	34.1%	12.2%	8.0%	0.0%	38.6%	3.7%	3.4%	100.0%
Sutter Lakeside Hospital	49.1%	0.0%	21.8%	0.0%	17.6%	0.0%	11.5%	100.0%
Memorial Medical Center & Memorial Hospital Los Banos	34.7%	15.1%	17.1%	0.0%	23.8%	1.2%	8.1%	100.0%
Novato Community Hospital	54.2%	0.0%	7.1%	0.0%	30.0%	0.0%	8.7%	100.0%
Alta Bates Summit Medical Center	42.7%	0.0%	22.8%	0.0%	29.3%	0.2%	5.0%	100.0%
Sutter Medical Center-Santa Rosa	33.0%	5.1%	23.1%	0.0%	26.8%	0.0%	12.0%	100.0%
Sutter Amador Hospital	55.1%	0.0%	13.1%	0.0%	19.9%	0.0%	11.9%	100.0%
Sutter Medical Center Castro Valley	43.3%	0.0%	18.9%	0.0%	26.1%	0.0%	11.7%	100.0%
Eden Medical Center	52.9%	0.0%	25.2%	0.0%	11.5%	0.0%	10.4%	100.0%
Menlo Park Surgical Hospital	18.8%	0.0%	0.5%	0.0%	73.2%	0.0%	7.5%	100.0%
Total Acute Care Payer Mix (%)	38.7%	4.7%	18.4%	0.2%	29.1%	1.1%	7.8%	100.0%

Sutter Health
Acute Care Utilization Statistics

	2010 (Restated)	2011 (Restated)	2012 (Restated)	2013
Obligated Group Total				
Current Licensed Beds ^{1,2}	4,604	4,541	4,490	4,335
Beds in Service ²	4,534	4,502	4,451	4,287
Admissions	206,830	205,250	202,875	196,608
Patient Days	959,531	942,070	913,574	871,630
Average Length of Stay	4.6	4.6	4.5	4.4
% Occupancy Based on Beds in Service	58.0%	57.3%	56.2%	54.7%
Emergency Room Visits	785,996	785,425	798,681	780,927
Outpatient Revenues	6,859,982,897	7,200,550,390	7,564,643,148	7,720,898,674
Total Gross Revenues	20,711,407,640	21,173,341,219	21,311,278,201	21,229,567,653
Outpatient Revenue as % of Total Revenues	33.1%	34.0%	35.5%	36.4%
Sutter Medical Center Sacramento				
Current Licensed Beds	723	723	723	727
Beds in Service	723	723	723	727
Admissions	31,288	32,488	32,811	32,381
Patient Days	145,559	147,614	146,582	146,269
Average Length of Stay	4.7	4.5	4.5	4.5
% Occupancy Based on Beds in Service	55%	56%	56%	55%
Emergency Room Visits	87,242	84,608	88,304	88,280
Outpatient Revenues	704,524,741	705,940,907	733,065,752	783,542,404
Total Gross Revenues	2,861,996,147	3,020,654,081	3,088,134,431	3,182,340,788
Outpatient Revenue as % of Total Revenues	24.6%	23.4%	23.7%	24.6%
Novato Community Hospital				
Current Licensed Beds	47	47	47	47
Beds in Service	47	47	47	47
Admissions	1,684	1,616	1,592	1,614
Patient Days	6,145	5,606	5,596	5,172
Average Length of Stay	3.6	3.5	3.5	3.2
% Occupancy Based on Beds in Service	36%	33%	33%	30%
Emergency Room Visits	15,283	15,451	15,015	14,486
Outpatient Revenues	118,519,234	119,570,327	114,667,399	107,760,601
Total Gross Revenues	228,087,286	222,369,652	221,275,567	205,428,486
Outpatient Revenue as % of Total Revenues	52.0%	53.8%	51.8%	52.5%
Sutter Coast Hospital				
Current Licensed Beds	49	49	49	49
Beds in Service	49	49	49	49
Admissions	2,423	2,259	2,195	2,278
Patient Days	8,001	7,568	6,926	7,286
Average Length of Stay	3.3	3.4	3.2	3.2
% Occupancy Based on Beds in Service	45%	42%	39%	41%
Emergency Room Visits	23,230	22,627	21,969	20,913
Outpatient Revenues	132,840,464	139,517,323	130,627,854	136,007,523
Total Gross Revenues	202,551,836	212,142,889	200,004,167	213,723,693
Outpatient Revenue as % of Total Revenues	65.6%	65.8%	65.3%	63.6%
Sutter Solano Medical Center				
Current Licensed Beds	102	102	102	102
Beds in Service	102	102	102	102
Admissions	5,114	5,116	4,938	4,539
Patient Days	19,447	19,186	18,344	17,945
Average Length of Stay	3.8	3.8	3.7	4.0
% Occupancy Based on Beds in Service	52%	52%	49%	48%
Emergency Room Visits	35,058	36,767	39,137	39,096
Outpatient Revenues	211,340,352	220,595,916	227,309,212	246,397,910
Total Gross Revenues	508,430,252	520,101,520	526,378,051	554,008,047
Outpatient Revenue as % of Total Revenues	41.6%	42.4%	43.2%	44.5%

Sutter Health
Acute Care Utilization Statistics

	2010 (Restated)	2011 (Restated)	2012 (Restated)	2013
Sutter Davis Hospital				
Current Licensed Beds	48	48	48	48
Beds in Service	48	48	48	48
Admissions	3,712	3,696	3,501	3,608
Patient Days	8,651	8,445	8,232	8,485
Average Length of Stay	2.3	2.3	2.4	2.4
% Occupancy Based on Beds in Service	49%	48%	47%	48%
Emergency Room Visits	21,033	21,445	23,208	24,383
Outpatient Revenues	134,124,996	140,708,165	156,105,223	166,824,841
Total Gross Revenues	253,415,513	269,684,734	279,341,590	297,465,653
Outpatient Revenue as % of Total Revenues	52.9%	52.2%	55.9%	56.1%
Sutter Auburn Faith Hospital				
Current Licensed Beds	80	80	75	69
Beds in Service	80	80	75	69
Admissions	4,207	4,178	3,979	3,856
Patient Days	13,818	13,573	12,976	12,274
Average Length of Stay	3.3	3.2	3.3	3.2
% Occupancy Based on Beds in Service	47%	46%	47%	49%
Emergency Room Visits	24,716	24,356	24,406	24,985
Outpatient Revenues	155,363,292	156,699,312	179,583,915	211,462,127
Total Gross Revenues	330,296,993	338,935,420	356,900,151	385,815,312
Outpatient Revenue as % of Total Revenues	47.0%	46.2%	50.3%	54.8%
Sutter Delta Medical Center				
Current Licensed Beds	145	145	145	145
Beds in Service	137	137	137	137
Admissions	7,837	7,754	8,176	7,501
Patient Days	30,720	30,581	29,915	27,105
Average Length of Stay	3.9	3.9	3.7	3.6
% Occupancy Based on Beds in Service	61%	61%	60%	54%
Emergency Room Visits	53,436	53,839	54,160	46,901
Outpatient Revenues	204,798,601	222,608,546	233,299,224	236,796,594
Total Gross Revenues	604,135,494	645,816,613	664,130,080	651,069,347
Outpatient Revenue as % of Total Revenues	33.9%	34.5%	35.1%	36.4%
Sutter Lakeside Hospital				
Current Licensed Beds	25	25	25	25
Beds in Service	25	25	25	25
Admissions	2,059	2,056	2,062	2,033
Patient Days	6,712	6,821	6,719	6,607
Average Length of Stay	3.3	3.3	3.3	3.2
% Occupancy Based on Beds in Service	74%	75%	74%	72%
Emergency Room Visits	18,145	18,100	18,614	17,481
Outpatient Revenues	108,460,786	124,184,664	122,309,389	119,137,639
Total Gross Revenues	181,007,770	196,437,267	197,812,858	191,381,312
Outpatient Revenue as % of Total Revenues	59.9%	63.2%	61.8%	62.3%
Sutter Amador Hospital				
Current Licensed Beds	42	42	52	52
Beds in Service	42	42	52	42
Admissions	2,238	2,199	2,354	2,436
Patient Days	7,601	7,527	7,993	8,230
Average Length of Stay	3.4	3.4	3.4	3.4
% Occupancy Based on Beds in Service	50%	49%	52%	54%
Emergency Room Visits	17,270	18,295	19,047	19,852
Outpatient Revenues	98,221,228	103,811,104	94,553,528	95,879,714
Total Gross Revenues	181,206,615	189,201,005	188,441,522	204,610,907
Outpatient Revenue as % of Total Revenues	54.2%	54.9%	50.2%	46.9%

Sutter Health
Acute Care Utilization Statistics

	2010 (Restated)	2011 (Restated)	2012 (Restated)	2013
Sutter Tracy Community Hospital				
Current Licensed Beds	82	82	82	82
Beds in Service	82	82	82	82
Admissions	3,973	3,975	3,777	3,606
Patient Days	15,924	14,464	13,840	11,339
Average Length of Stay	4.0	3.6	3.7	3.1
% Occupancy Based on Beds in Service	53%	48%	46%	38%
Emergency Room Visits	32,644	31,497	31,026	32,236
Outpatient Revenues	203,792,994	225,257,311	249,030,470	250,542,416
Total Gross Revenues	378,253,932	394,248,471	431,312,638	423,254,254
Outpatient Revenue as % of Total Revenues	53.9%	57.1%	57.7%	59.2%
Sutter Roseville Medical Center				
Current Licensed Beds	313	328	328	328
Beds in Service	313	328	328	328
Admissions	16,882	18,847	20,088	20,051
Patient Days	77,537	86,881	90,931	88,612
Average Length of Stay	4.6	4.6	4.5	4.4
% Occupancy Based on Beds in Service	68%	73%	76%	74%
Emergency Room Visits	69,235	71,249	74,095	75,657
Outpatient Revenues	378,598,764	381,244,040	418,158,017	463,056,671
Total Gross Revenues	1,241,463,782	1,393,375,023	1,526,934,444	1,617,561,820
Outpatient Revenue as % of Total Revenues	30.5%	27.4%	27.4%	28.6%
Sutter Maternity and Surgery Center				
Current Licensed Beds	30	30	30	30
Beds in Service	30	30	30	30
Admissions	1,654	1,645	1,645	1,374
Patient Days	4,251	4,415	4,182	3,911
Average Length of Stay	2.6	2.7	2.5	2.8
% Occupancy Based on Beds in Service	39%	40%	38%	36%
Emergency Room Visits	-	-	-	-
Outpatient Revenues	73,261,991	78,730,481	95,711,936	102,584,558
Total Gross Revenues	119,738,355	132,169,610	147,424,137	147,874,956
Outpatient Revenue as % of Total Revenues	61.2%	59.6%	64.9%	69.4%
Sutter Medical Center Santa Rosa				
Current Licensed Beds	135	135	135	135
Beds in Service	115	115	115	116
Admissions	5,887	5,542	6,077	6,215
Patient Days	24,663	23,340	24,862	23,642
Average Length of Stay	4.2	4.2	4.1	3.8
% Occupancy Based on Beds in Service	59%	56%	59%	56%
Emergency Room Visits	26,730	25,845	26,508	27,040
Outpatient Revenues	178,649,759	187,311,545	187,756,545	178,835,039
Total Gross Revenues	484,385,606	483,562,254	500,222,502	482,774,007
Outpatient Revenue as % of Total Revenues	36.9%	38.7%	37.5%	37.0%
Memorial Hospitals Association				
Current Licensed Beds	469	469	469	469
Beds in Service	462	462	462	462
Admissions	22,616	21,511	19,826	18,684
Patient Days	104,060	101,067	90,518	85,844
Average Length of Stay	4.6	4.7	4.6	4.6
% Occupancy Based on Beds in Service	62%	60%	54%	51%
Emergency Room Visits	97,759	89,517	90,740	90,346
Outpatient Revenues	868,471,447	922,606,069	910,765,431	941,473,437
Total Gross Revenues	2,436,713,532	2,504,420,550	2,396,255,297	2,447,735,635
Outpatient Revenue as % of Total Revenues	35.6%	36.8%	38.0%	38.5%

Sutter Health
Acute Care Utilization Statistics

	2010 (Restated)	2011 (Restated)	2012 (Restated)	2013
Alta Bates Summit Medical Center				
Current Licensed Beds	855	855	855	819
Beds in Service	855	855	855	819
Admissions	37,126	35,617	33,852	30,686
Patient Days	200,621	193,464	177,296	164,641
Average Length of Stay	5.4	5.4	5.2	5.4
% Occupancy Based on Beds in Service	64%	62%	57%	55%
Emergency Room Visits	83,675	86,261	83,459	77,656
Outpatient Revenues	1,113,873,823	1,175,247,113	1,417,688,852	1,372,728,940
Total Gross Revenues	4,159,183,804	3,949,054,677	3,843,903,530	3,597,481,929
Outpatient Revenue as % of Total Revenues	26.8%	29.8%	36.9%	38.2%
Mills Peninsula Health Services				
Current Licensed Beds	265	301	293	293
Beds in Service	265	301	293	293
Admissions	13,096	13,272	13,445	14,117
Patient Days	58,470	55,606	58,360	58,580
Average Length of Stay	4.5	4.2	4.3	4.1
% Occupancy Based on Beds in Service	60%	51%	55%	55%
Emergency Room Visits	43,178	44,738	46,911	45,446
Outpatient Revenues	636,141,853	667,792,509	657,755,708	673,815,686
Total Gross Revenues	1,506,729,676	1,490,467,898	1,500,800,072	1,540,788,145
Outpatient Revenue as % of Total Revenues	42.2%	44.8%	43.8%	43.7%
Menlo Park Surgical Hospital				
Current Licensed Beds	16	16	16	16
Beds in Service	12	12	12	12
Admissions	413	369	308	256
Patient Days	518	441	368	302
Average Length of Stay	1.3	1.2	1.2	1.2
% Occupancy Based on Beds in Service	12%	10%	8%	7%
Emergency Room Visits	-	-	-	-
Outpatient Revenues	22,410,902	24,453,479	27,202,189	32,455,189
Total Gross Revenues	37,279,295	37,877,364	39,535,068	43,021,207
Outpatient Revenue as % of Total Revenues	60.1%	64.6%	68.8%	75.4%
California Pacific Medical Center				
Current Licensed Beds	876	793	793	769
Beds in Service	876	793	793	769
Admissions	31,112	29,841	29,747	30,133
Patient Days	167,880	159,850	158,207	147,617
Average Length of Stay	5.4	5.4	5.3	4.9
% Occupancy Based on Beds in Service	53%	55%	55%	53%
Emergency Room Visits	79,202	81,348	81,013	80,145
Outpatient Revenues	1,164,844,526	1,227,898,612	1,230,131,997	1,187,912,149
Total Gross Revenues	3,797,435,377	3,909,911,229	3,970,589,024	3,800,685,241
Outpatient Revenue as % of Total Revenues	30.7%	31.4%	31.0%	31.3%
Eden Medical Center³				
Current Licensed Beds	302	271	93	93
Beds in Service	271	271	93	93
Admissions	13,509	13,269	11,821	2,501
Patient Days	58,953	55,621	48,848	10,724
Average Length of Stay	4.4	4.2	4.1	4.3
% Occupancy Based on Beds in Service	60%	56%	52%	38%
Emergency Room Visits	58,160	59,482	58,261	23,329
Outpatient Revenues	351,743,144	376,372,967	356,730,726	101,093,604
Total Gross Revenues	1,199,096,375	1,262,910,962	1,157,756,623	231,729,416
Outpatient Revenue as % of Total Revenues	29.3%	29.8%	30.8%	43.6%

Sutter Health
Acute Care Utilization Statistics

	2010 (Restated)	2011 (Restated)	2012 (Restated)	2013
Sutter Medical Center Castro Valley³				
Current Licensed Beds	N/A	N/A	130	130
Beds in Service			130	130
Admissions			681	8,739
Patient Days			2,879	37,045
Average Length of Stay			4.2	4.2
% Occupancy Based on Beds in Service			74%	78%
Emergency Room Visits			2,808	32,695
Outpatient Revenues			22,189,781	312,591,632
Total Gross Revenues			74,126,449	1,010,817,498
Outpatient Revenue as % of Total Revenues	N/A	N/A	29.9%	30.9%

Notes:

1. Revised from prior continuing disclosure reports to conform to the Office of Statewide Health Planning and Development's definition of "licensed bed."
2. Total year-end 2013 Current Licensed Beds (4,335) and Beds in Service (4,287) exclude beds reported for Eden Medical Center. Ownership of Eden's San Leandro Hospital was transferred to Alameda Health System as of October 30, 2013.
3. As of November 30, 2012 the Eden Medical Center transferred functions to Sutter Medical Center Castro Valley, which began operations on December 1, 2012. As of December 1, 2013 Eden Medical Center statistics represent activity for San Leandro Hospital only.