SSM HEALTH CARE CREDIT GROUP

SERIES 2002B INSURANCE AGREEMENT OFFICER'S CERTIFICATE

The attached document constitutes the form of annual Officer's Certificate contained in the Series 2002B Insurance Agreement.

CERTIFICATE OF COMPLIANCE

BNY Trust Company of Missouri, as bond trustee (the "Bond Trustee")
911 Washington Avenue, Third Floor
St. Louis, Missouri 63101
Attention: Nancy L. Mogelnicki

Ambac Assurance Corporation
One State Street Plaza, 17th Floor
New York, New York
Attention: Manager, Healthcare Underwriting

Re: **Certificate of Compliance for Fiscal Year Ending December 31, 2013**

Ladies and Gentlemen:

The undersigned is the Parent Representative as such term is defined in the Bond Trust Indenture dated as of August 1, 2002 between the Issuer and the Bond Trustee. This certificate is delivered pursuant to the requirements of Section 9.2 of the Loan Agreement dated as of August 1, 2002 between the Issuer and SSM Health Care Corporation. Certain terms used herein have the meanings assigned in the Bond Trust Indenture. The undersigned hereby certifies as follows on behalf of SSM:

a. He has made or caused to be made a review of the activities of the Parent for the fiscal year ended December 31, 2013 and of the performance of the Parent of its obligations under the Loan Agreement;

b. He is familiar with the provisions of the Loan Agreement, the Master Indenture, the Tax Exemption Agreement and the Tax Use Agreements (collectively, the "Borrower Documents") and, to the best of her/his knowledge, based on such review:

    i. The Parent has fulfilled all of its obligations under the Borrower Documents, and

    ii. To the best of my knowledge, there is no event of default, or any event which, with the passage of time or the giving of notice, would become an event of default under any Borrower Document.

Dated as of April 25, 2014

SSM HEALTH CARE CORPORATION

By Kris A. Zimmer
Kris A. Zimmer
Treasurer

I:\123\TREASURY\Compliance\Annual\2013\2013 Certificate 2002A&B.doc

OFFICER'S CERTIFICATE

Ambac Assurance Corporation
One State Street Plaza
17th Floor
New York, NY 10004
Attention: Manager, Healthcare Underwriting

Re: **Officer's Certificate for Fiscal Year Ending December 31, 2013**

Ladies and Gentlemen:

This certificate is delivered pursuant to the requirements of Sections 2.3 and 2.4 of the Insurance Agreement dated as of August 1, 2002 (the "Insurance Agreement") between SSM Health Care Corporation and Ambac Assurance Corporation. Certain terms used herein have the meanings assigned in the Insurance Agreement and the Master Indenture (as defined in the Insurance Agreement). The undersigned hereby certifies on behalf of the Credit Group as follows:

(a) The Cash-to-Debt Ratio of the Credit Group based on the audited financial statements of SSM Health Care Consolidated Financial Statements with additional information for SSM Health Care Credit Group for the preceding Fiscal Year was 1.25 "Cash-to-Debt Ratio" means as of any date of calculation, the ratio determined by dividing (a) Liquid Assets of the Credit Group by (b) the sum of (1) the total Funded Indebtedness and Short Term indebtedness of the Credit Group (exclusive of any guaranty of indebtedness for money borrowed or credit extended for which no payments are currently being made), and (2) any rental payments payable by any member of the Credit Group under synthetic leases to the extent such payments are attributable to principal of indebtedness. "Liquid Assets" means cash and cash equivalents, short-term investments and marketable securities less the amounts drawn and held representing the proceeds of any indebtedness either (i) payable within one year or less (including indebtedness due on demand of the holder thereof), or (ii) entrusted to or on deposit with a trustee for debt related purposes, and less any amounts which are donor-restricted or which are subject to a direct or express trust which limits the use of such amounts to a specific purpose.

(b) The Capitalization Ratio of the Credit Group based upon the financial statements for the preceding Fiscal Year was 0.48 "Capitalization Ratio" means, as of any date of calculation, the ratio determined by dividing (a) a numerator equal to the total Funded Indebtedness and Short Term indebtedness of the Credit Group by (b) a denominator equal to the sum of (1) such Funded Indebtedness and Short Term indebtedness, and (2) the Total Unrestricted Net Assets of the Credit Group, as reflected in or derived from the most recent audited financial statements of the Credit

Group. "Total Unrestricted Net Assets" means the total net assets, capital and surplus, or other equivalent accounting classification representing the net worth of an entity, but excluding any temporarily or permanently restricted net assets.

Dated as of April 25, 2014

SSM HEALTH CARE CORPORATION, as Obligated Group Agent

By: Kris A. Zimmer

Kris A. Zimmer

Its: Treasurer

LOAN AGREEMENT

BETWEEN

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI

AND

SSM HEALTH CARE CORPORATION

BOND INSURER REPORTING REQUIREMENTS

Pursuant to the
Insurance Agreements
between
SSM Health Care Corporation
and
Ambac Assurance Corporation
Dated as of May 1, 2001 and August 1, 2002

For the Fiscal Year Ended December 31, 2013
(Dollars in Thousands)

Cash-to-Debt Ratio of the Credit Group:

$$\frac{\text{Liquid Assets of the Credit Group}}{\text{Funded Indebtedness + Short-Term Indebtedness of the Credit Group}}$$

$$\frac{\$1{,}600{,}990}{\$1{,}281{,}863} = 1.25$$

Conclusion:
This ratio exceeds 0.55 minimum required by Section 2.3 of the Insurance Agreement, therefore no action is required by the Credit Group.

Capitalization Ratio of the Credit Group:

$$\frac{\text{Funded Indebtedness + Short-Term Indebtedness of the Credit Group}}{\text{Funded Indebtedness + Short-Term Indebtedness + Total Unrestricted Net Assets of the Credit Group}}$$

$$\frac{\$1{,}281{,}863}{\$2{,}650{,}118} = 0.48$$

Conclusion:
This ratio does not exceed the 0.67 maximum required by Section 2.4 of the Insurance Agreement, therefore no action is required by the Credit Group.

Historical Debt Service Coverage Ratio of the Credit Group:

$$\frac{\text{Income Available for Debt Service}}{\text{Debt Service Requirements on Funded Indebtedness}}$$

$$\frac{\$300{,}224}{\$60{,}280} = 4.98$$

Conclusion:
This ratio exceeds the 1.35 minimum required by Section 2.5 of the Insurance Agreement, therefore no action is required by the Credit Group.

Pursuant to Section 9.6 of the
Insurance Agreements
between
SSM Health Care Corporation
and
Ambac Assurance Corporation
Dated as of May 1, 2001 and August 1, 2002

For the Fiscal Year Ended December 31, 2013

Utilization Statistics for the most recent fiscal year:

Licensed Beds	4,176
Beds in Service	3,531
Admissions*	155,610
Patient Days*	858,016
Average Length of Stay (Days)	5.5
Percentage Occupancy**	66.6%
Emergency Room Visits	625,025
Outpatient Clinic Visits	1,332,598

* Excludes newborns, including skilled nursing
** Of beds in service

Percentage of Gross Revenues by payor class for most recent fiscal year:

Medicare	34%
Medicaid	12%
Managed Care	43%
Other	11%

Medicare Case Mix Index for the most recent fiscal year: 1.66

COVENANT COMPLIANCE CERTIFICATE
For the period ending December, 2013

Pursuant to the Term Loan Agreement dated June 27, 2012 (the "Agreement") between SSM Health Care Corporation (the "Borrower") and Bank of America, N.A., (the "Bank"), the undersigned hereby certifies as follows. Unless otherwise defined herein, the terms used in this Certificate have the meaning(s) assigned to it/them in the Agreement.

1. I am the duly appointed President, Chief Financial Officer or Administrator of Borrower;

2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision a detailed review of the transactions and condition of the Borrower during the accounting period covered by the financial statements being furnished concurrently with this Certificate;

3. The Borrower is in full compliance with all terms, conditions, covenants and provisions of the Agreement, except as follows:

4. The Borrower reports its compliance with the financial covenants contained in the Agreement as follows:

Covenant:	**Required Threshold**	**Measurement Date**	**Actual Value**
Days Cash on Hand Ratio	>75 days	12/31/13	196

5. Each of the representations contained in the Agreement are correct as of this date.

6. The financial statements of Borrower as of December 31, 2013, and for the fiscal year then ended, present fairly the financial condition of Borrower and the results of its operations as of the dates of such statements and for the fiscal periods then ended, and since the date of the latest of such statements there has been no material adverse change in its financial position or its operations.

7. No Event of Default has occurred and Borrower is not aware of any facts which might result in an Event of Default.

Dated: April 25, 2014 Borrower: SSM Health Care Corporation

By: [signature]

Its: Treasurer

CERTIFICATE OF OFFICER OF OBLIGATED GROUP AGENT

SSM HEALTH CARE CREDIT GROUP

UMB Bank, N.A.
Corporate Trust Division
2 South Broadway, Suite 435
St. Louis, MO 63102
Attn: Rebecca Dengler

Chase
Mail Code IL1-1228
120 South LaSalle Street
Chicago, IL 60603
Attn: Timothy J. Ruby, First Vice President

Bank of America
231 S. LaSalle Street
Chicago, IL 60697
Attn: Charles E. Saul, Jr., Senior Vice President

Illinois Finance Authority
233 S. Wacker Drive, Suite 4000
Chicago, IL 60606
Attention: Pam Lenane, Senior Program Advisor

Wisconsin Health and Educational Facilities Authority
18000 West Sarah Lane, Suite 140
Brookfield, Wisconsin 53005-5843
Attn: Lawrence Nines, Executive Director

SSM Health Care Corporation, a Missouri nonprofit corporation ("SSMHCC"), which is the Obligated Group Agent under the Master Trust Indenture (Amended and Restated) dated as of May 15, 1998, as supplemented by Supplemental Master Trust Indentures Nos. 1-5 (hereinafter collectively referred to as the "Master Trust Indenture"), hereby certifies, pursuant to Sections 404 and 406(c) of the Master Trust Indenture, that:

1. The Credit Group has satisfied the requirement under Section 404 of the Master Trust Indenture as evidenced by the computations on Attachment A.
2. A review of the activities of the Credit Group during the Fiscal Year ending December 31, 2013 ("Fiscal Year 2013") and of the performance of the Credit Group under the Master Trust Indenture have been made under the supervision of the undersigned; and

3. The undersigned is familiar with the provisions of the Master Trust Indenture and to the best of the undersigned's knowledge, based on such review and familiarity, no member of the Credit Group is in default in the performance of any covenant contained in the Master Trust Indenture.

All capitalized terms used herein shall have the meanings ascribed under the respective definitions contained in the Master Trust Indenture, as applicable.

Witness my hand for and on behalf of SSMHCC, as Obligated Group Agent, this twenty- fifth day of April, 2014.

SSM HEALTH CARE CORPORATION

By ______________________
Kris A. Zimmer
Treasurer

i:\123\treasury\compliance\annual\2013\2013 mti certificate; umb,jpm,bofa,ifa,whefa.doc

LIST OF MEMBERS OF THE CREDIT GROUP

Members of the Obligated Group
SSM Health Care Corporation

Designated Affiliates
Good Samaritan Regional Health Center
SSM Audrain Health Care, Inc.
SSM Cardinal Glennon Children's Hospital
SSM Health Businesses
SSM Health Care of Oklahoma, Inc.
SSM Health Care of Wisconsin, Inc.
SSM Health Care St. Louis
SSM Regional Health Services
St. Anthony Shawnee Hospital, Inc.
St. Mary's Hospital, Centralia, Illinois

Unlimited Credit Group Participants
None

Limited Credit Group Participants
None

ATTACHMENT A

Pursuant to Section 404 of the
Master Trust Indenture (Amended and Restated)
between
SSM Health Care Corporation
and
BNY Trust Company of Missouri
(as successor to State Street Bank and Trust Company, N.A.)
as Master Trustee
Dated May 15, 1998

For the Fiscal Year Ended December 31, 2013
(Dollars in Thousands)

Historical Debt Service Coverage Ratio of the Credit Group:

$$\frac{\text{Income Available for Debt Service}}{\text{Debt Service Requirements on Funded Indebtedness}}$$

$$\frac{\$300,224}{\$60,280} = 4.98$$

Conclusion:
The ratio exceeds the 1.10 minimum required by the Master Trust Indenture.

ANNUAL REPORT

SSM HEALTH CARE CORPORATION,

AS OBLIGATED GROUP AGENT

FOR THE YEAR ENDED DECEMBER 31, 2013

Related to

ILLINOIS HEALTH FACILITIES AUTHORITY
$26,100,000 VARIABLE RATE DEMAND BONDS (SSM HEALTH CARE) SERIES 1998B
AUCTION RATE CERTIFICATES (ARC^{SM})

AND

OKLAHOMA CITY INDUSTRIAL AND CULTURAL FACILITIES TRUST
$37,800,000 VARIABLE RATE DEMAND BONDS (SSM HEALTH CARE) SERIES 1998B
AUCTION RATE CERTIFICATES (ARC^{SM})

AND

WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
$13,250,000 VARIABLE RATE DEMAND BONDS (SSM HEALTH CARE) SERIES 1998B
AUCTION RATE CERTIFICATES (ARC^{SM})

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI
$60,000,000 REVENUE BONDS (SSM HEALTH CARE) SERIES 2002B
AUCTION RATE CERTIFICATES (ARC^{SM})

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI
$157,500,000 VARIABLE RATE DEMAND BONDS (SSM HEALTH CARE) SERIES 2005C

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI
$76,125,000 VARIABLE RATE DEMAND BONDS (SSM HEALTH CARE) SERIES 2005D

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI
$104,000,000 REVENUE BONDS (SSM HEALTH CARE) SERIES 2008A
FIXED RATE BONDS

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF WISCONSIN
$118,765,000 REVENUE BONDS (SSM HEALTH CARE) SERIES 2010A

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI
$152,970,000 REVENUE BONDS (SSM HEALTH CARE) SERIES 2010B

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI
$111,060,000 VARIABLE RATE DEMAND BONDS (SSM HEALTH CARE) SERIES 2010D

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI
$87,135,000 VARIABLE RATE DEMAND BONDS (SSM HEALTH CARE) SERIES 2010E

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI
$110,000,000 DIRECT PURCHASE BONDS (SSM HEALTH CARE) SERIES 2012A

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI
$73,265,000 DIRECT PURCHASE BONDS (SSM HEALTH CARE) SERIES 2012A

BNY TRUST COMPANY OF MISSOURI, DISSEMINATION AGENT

SSM Contact Person:
Kris A. Zimmer
Senior Vice President, Finance
SSM Health Care Corporation
477 North Lindbergh Boulevard
St. Louis, MO 63141
314/994-7828

Dissemination Agent:
BNY Trust Company of Missouri
Corporate Trust Department
911 Washington Avenue
St. Louis, MO 63101
Attention: Nancy L. Mogelnicki
314/613-8200

MASTER CONTINUING DISCLOSURE AGREEMENT

TABLE OF CONTENTS

EXHIBIT A

ANNUAL REPORT CERTIFICATE

The undersigned duly appointed and acting Treasurer of SSM Health Care Corporation which is the Obligated Group Agent under (and as defined in) the Master Trust Indenture (Amended and Restated) dated as of May 15, 1998 as supplemented and amended (the "Master Indenture") by and among the Members of the Obligated Group (as defined in the Master Indenture) and State Street Bank and Trust Company of Missouri, N.A., as Master Trustee (the "Master Trustee"), hereby certifies on behalf of the Obligated Group Agent pursuant to the Master Continuing Disclosure Agreement dated as of May 20, 1998 (the "Master Continuing Disclosure Agreement") between the Obligated Group Agent and BNY Trust Company of Missouri, as Dissemination Agent (the "Dissemination Agent"), as follows:

1. **Definitions**. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Master Continuing Disclosure Agreement.

2. **Annual Report**. Accompanying this Annual Report Certificate is the Annual Report for the Fiscal Year ended December 31, 2013.

3. **Compliance with Master Continuing Disclosure Agreement**. The Annual Report is being delivered to the Dissemination Agent herewith not later than five months after the last day of the Fiscal Year which is the applicable Annual Report Date for purposes of such Annual Report. The Annual Report contains, or includes by reference, Financial Information and Operating Data of the types identified in the Continuing Disclosure Certificate most recently delivered to the Dissemination Agent pursuant to Section 5 of the Master Continuing Disclosure Agreement. The Annual Financial Information relates to the Members of the Credit Group identified in Schedule 1 hereto to the extent such Annual Financial Information is relevant to such Persons' operations, and such Persons constitute all of the Members of the Credit Group with respect to the Related Bonds as of the last day of the Fiscal Year covered by the Annual Report. To the extent any such Annual Financial Information is included in the Annual Report by reference, any document so referred to has been previously provided to the Repositories or filed with the SEC or, in the case of a reference to a Final Official Statement, has been filed with the MSRB.

Such Annual Financial Information has been prepared on the basis of the Audited Financial Statements. Such Audited Financial Statements are included as part of the Annual Report.

4. Attached hereto as Schedule A-4 is a listing of the Related Bond Trustees, the Related Issuers and the providers of any credit enhancement and the issuers of any liquidity facilities respecting any Related Bonds.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Annual Report Certificate to the Dissemination Agent, which has received such certificate and the Annual Report, all as of the twenty-fifth day of April, 2014.

SSM HEALTH CARE CORPORATION,
as Obligated Group Agent

By: ______________________
Kris A. Zimmer
Treasurer

Acknowledgment of Receipt:
BNY TRUST COMPANY OF MISSOURI,
as Dissemination Agent

By: ______________________
Its: ______________________

SCHEDULE A-1

LIST OF MEMBERS OF THE CREDIT GROUP

Members of the Obligated Group
SSM Health Care Corporation

Designated Affiliates
Good Samaritan Regional Health Center
SSM Audrain Health Care, Inc.
SSM Cardinal Glennon Children's Hospital
SSM Health Businesses
SSM Health Care of Oklahoma, Inc.
SSM Health Care of Wisconsin, Inc.
SSM Health Care St. Louis
SSM Regional Health Services
St. Anthony Shawnee Hospital, Inc.
St. Mary's Hospital, Centralia, Illinois

Unlimited Credit Group Participants
None

Limited Credit Group Participants
None

SCHEDULE A-2

AUDITED FINANCIAL STATEMENTS OF SSM HEALTH CARE CONSOLIDATED FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION FOR THE SSM HEALTH CARE CREDIT GROUP

SCHEDULE A-3

OPERATING DATA OF THE CREDIT GROUP

Utilization by Market

Historical Debt Service Coverage

Liquidity

Sources of Patient Revenue

HISTORICAL DEBT SERVICE COVERAGE

	Fiscal Year Ended December 31, (in thousands)		
	2012	2013	
Net Income	$278,143	$ 202,684	
Loss on early extinguishment of debt	1,125	-	
Depreciation and amortization	154,199	171,378	
Impairment loss		6,735	
Unrealized (gains) losses	(91,906)	(62,516)	
MTM adjustment on interest rate swaps	(306)	(60,512)	
Interest expense	37,015	42,455	
Total income available	$378,270	$ 300,224	
	$378,270	$ 300,224	Annualized
Actual debt service	$88,458	$ 60,280	
Actual debt service coverage	4.3 x	5.0 x	

LIQUIDITY

	Fiscal Year Ended December 31, (in thousands)		
	2011	2012	2013
Current Assets:			
Cash and Investments	$105,908	$95,418	$124,995
Days Cash and Investments	14	12	15
Assets Whose Use is Limited (excluding trustee-held funds, self insurance trust funds and donor restricted funds)			
Cash and Investments	$1,308,643	$1,397,425	$1,475,995
Days Cash and Investments	176	183	181
Total Days Cash and Investments	190	195	196

SOURCES OF PATIENT REVENUES

	Gross Revenue by Payor Fiscal Year Ended December 31,		
Payor	2011	2012	2013
Medicare	34%	33%	34%
Medicaid	12%	12%	12%
Managed Care	45%	46%	43%
Commercial, Self-Pay and Other	9%	9%	11%
	100%	100%	100%

UTILIZATION BY MARKET

Licensed Beds

Region	As of 12/31/2013 Acute	SNF
SSMHC - St. Louis	1,903	0
SSMHC of Wisconsin	590	311
SSMHC of Oklahoma	788	0
Good Samaritan	247	0
St. Marys, Jefferson City	256	0
St. Francis, Maryville	81	0
Total	3,865	311

Admissions

Region	2011	2012	2013
SSMHC - St. Louis	86,596	82,438	80,455
SSMHC of Wisconsin	24,326	26,303	26,294
SSMHC of Oklahoma	17,608	22,248	26,057
St. Francis, Blue Island	0	0	0
Good Samaritan	13,394	13,180	12,714
St. Marys, Jefferson City	8,666	8,067	8,629
St. Francis, Maryville	1,547	1,390	1,461
Total	152,137	153,626	155,610

Total Patient Days

	2011	2012	2013
SSMHC - St. Louis	408,196	390,334	386,539
SSMHC of Wisconsin	201,939	207,934	208,106
SSMHC of Oklahoma	151,598	157,852	173,282
St. Francis, Blue Island	0	0	0
Good Samaritan	52,156	50,521	49,461
St. Marys, Jefferson City	34,255	32,939	34,250
St. Francis, Maryville	7,275	6,140	6,378
Total	855,419	845,720	858,016

Admission and patient day data include acute, rehabilitation and long-term care.

SCHEDULE A-4

LIST OF RELATED BOND TRUSTEES, RELATED ISSUERS AND THE PROVIDERS OF ANY CREDIT ENHANCEMENT OR LIQUIDITY FACILITIES RESPECTING ANY RELATED BONDS

Related Bond Trustees	Related Issuers	Credit Enhancers	Liquidity Providers
SERIES 1998B			
CTC Illinois Trust Company	Illinois Financing Authority (formerly, Illinois Health Facilities Authority)	MBIA Insurance Corp.	--
M&I National Trust Company	Wisconsin Health and Educational Facilities Authority	MBIA Insurance Corp.	--
BNY Trust Company of Missouri	Oklahoma City Industrial and Cultural Facilities Authority	MBIA Insurance Corp.	--
SERIES 2002B			
BNY Trust Company of Missouri	Health and Educational Facilities Authority of the State of Missouri	Ambac Assurance Corp.	--
SERIES 2005C-4			
BNY Trust Company of Missouri	Health and Educational Facilities Authority of the State of Missouri	--	Citibank, N.A.
SERIES 2005C-5			
BNY Trust Company of Missouri	Health and Educational Facilities Authority of the State of Missouri	--	US Bank, National Association
SERIES 2005D-4			
BNY Trust Company of Missouri	Health and Educational Facilities Authority of the State of Missouri	--	JP Morgan Chase

SERIES 2008A BNY Trust Company of Missouri	Health and Educational Facilities Authority of the State of Missouri	--	--
SERIES 2010A BNY Trust Company of Missouri	Health and Educational Facilities Authority of the State of Wisconsin	--	--
SERIES 2010B BNY Trust Company of Missouri	Health and Educational Facilities Authority of the State of Missouri	--.	--
SERIES 2010D BNY Trust Company of Missouri	Health and Educational Facilities Authority of the State of Missouri	--.	JPMorgan Chase
SERIES 2010E BNY Trust Company of Missouri	Health and Educational Facilities Authority of the State of Missouri	--.	PNC Bank, National Association
SERIES 2012A BNY Trust Company of Missouri	Health and Educational Facilities Authority of the State of Missouri	--.	Citibank, N.A.
SERIES 2012B BNY Trust Company of Missouri	Health and Educational Facilities Authority of the State of Missouri	--.	PNC Bank, National Association

SSM HEALTH CARE CREDIT GROUP

<u>SERIES 1998B LOAN AGREEMENT CERTIFICATES OF COMPLIANCE</u>

The attached five documents constitute the forms of annual Certificates of Compliance contained in the Series 1998B Loan Agreement.

CORPORATION REPRESENTATIVE'S CERTIFICATE OF COMPLIANCE
SSM HEALTH CARE CORPORATION

Illinois Finance Authority
233 S. Wacker Drive, Suite 4000
Chicago, IL 60606
Attention: Pam Lenane, Senior Program Advisor

BNY Trust Company of Missouri, as bond trustee's agent
Lammert Building
911 Washington Avenue, Third Floor
St. Louis, Missouri 63101
Attention: Nancy L. Mogelnicki

MBIA Insurance Corporation
IPM Enterprise
113 King Street
Armonk, NY 10504
Attention: Everlena Dolman

Re: **SSM Health Care Credit Group - Series 1998B Illinois Bonds**

Ladies and Gentlemen:

The undersigned is the Parent Representative as such term is defined in the Bond Trust Indenture dated as of May 15, 1998 between the Issuer and CTC Illinois Trust Company, as bond trustee. This certificate is delivered pursuant to the requirements of Section 9.2 of the Loan Agreement dated as of May 15, 1998 between the Issuer and SSM Health Care Corporation. Certain terms used herein have the meanings assigned in the Bond Trust Indenture. The undersigned hereby certifies as follows on behalf of the Parent:

(a) He has made or caused to be made a review of the activities of the Parent for the fiscal year ended December 31, 2013 and of the performance of the Parent of its obligations under the Loan Agreement;

(b) He is familiar with the provisions of the Loan Agreement, the Master Indenture, the Tax Exemption Agreement and the Tax Use Agreements (collectively, the "Borrower Documents") and, to the best of her/his knowledge, based on such review:

(i) The Parent has fulfilled all of its obligations under the Borrower Documents, and

(ii) to the best of my knowledge, there is no event of default, or any event which, with the passage of time or the giving of notice, would become an event of default under any Borrower Document.

Any capitalized terms used herein shall have the meanings ascribed under the respective definitions contained in the Loan Agreement.

Witness my hand for and on behalf of SSMHCC, as Corporation Representative, this twenty-fifth day of April, 2014.

SSM HEALTH CARE CORPORATION

By: ______________________________
Kris A. Zimmer
Treasurer

CORPORATION REPRESENTATIVE'S CERTIFICATE OF COMPLIANCE
SSM HEALTH CARE CORPORATION

Oklahoma City Industrial &
Cultural Facilities Trust
123 Park Avenue
Oklahoma City, Oklahoma 73102
Attention: Paul Strasbaugh

BNY Trust Company of Missouri, as bond trustee (the "Bond Trustee")
Lammert Building
911 Washington Avenue, Third Floor
St. Louis, Missouri 63101
Attention: Nancy L. Mogelnicki

MBIA Insurance Corporation
IPM Enterprise
113 King Street
Armonk, NY 10504
Attention: Everlena Dolman

Re: **SSM Health Care Credit Group - Series 1998B Oklahoma Bonds**

Ladies and Gentlemen:

The undersigned is the Parent Representative as such term is defined in the Bond Trust Indenture dated as of May 15, 1998 between the Issuer and BNY Trust Company of Missouri, as bond trustee. This certificate is delivered pursuant to the requirements of Section 9.2 of the Loan Agreement dated as of May 15, 1998 between the Issuer and SSM Health Care Corporation. Certain terms used herein have the meanings assigned in the Bond Trust Indenture. The undersigned hereby certifies as follows on behalf of the Parent:

(a) He has made or caused to be made a review of the activities of the Parent for the fiscal year ended December 31, 2014 and of the performance of the Parent of its obligations under the Loan Agreement;

(b) He is familiar with the provisions of the Loan Agreement, the Master Indenture, the Tax Exemption Agreement and the Tax Use Agreements (collectively, the "Borrower Documents") and, to the best of her/his knowledge, based on such review:

(i) The Parent has fulfilled all of its obligations under the Borrower Documents, and

(ii) to the best of my knowledge, there is no event of default, or any event which, with the passage of time or the giving of notice, would become an event of default under any Borrower Document.

Any capitalized terms used herein shall have the meanings ascribed under the respective definitions contained in the Loan Agreement.

Witness my hand for and on behalf of SSMHCC, as Corporation Representative, this twenty-fifth day of April, 2014.

SSM HEALTH CARE CORPORATION

By: Kris A. Zimmer
Kris A. Zimmer
Treasurer

CORPORATION REPRESENTATIVE'S CERTIFICATE OF COMPLIANCE
SSM HEALTH CARE CORPORATION

Wisconsin Health and Educational Facilities Authority (the "Issuer")
18000 West Sarah Lane, Room 140
Brookfield, Wisconsin 53045
Attention: Lawrence Nines

BNY Trust Company of Missouri, as bond trustee's agent
Lammert Building
911 Washington Avenue, Third Floor
St. Louis, Missouri 63101
Attention: Nancy L. Mogelnicki

MBIA Insurance Corporation
IPM Enterprise
113 King Street
Armonk, NY 10504
Attention: Everlena Dolman

Re: **SSM Health Care Credit Group - Series 1998B Wisconsin Bonds**

Ladies and Gentlemen:

The undersigned is the Parent Representative as such term is defined in the Bond Trust Indenture dated as of May 15, 1998 between the Issuer and M&I National Trust Company, as bond trustee. This certificate is delivered pursuant to the requirements of Section 9.2 of the Loan Agreement dated as of May 15, 1998 between the Issuer and SSM Health Care Corporation. Certain terms used herein have the meanings assigned in the Bond Trust Indenture. The undersigned hereby certifies as follows on behalf of the Parent:

(a) He has made or caused to be made a review of the activities of the Parent for the fiscal year ended December 31, 2013 and of the performance of the Parent of its obligations under the Loan Agreement;

(b) He is familiar with the provisions of the Loan Agreement, the Master Indenture, the Tax Exemption Agreement and the Tax Use Agreements (collectively, the "Borrower Documents") and, to the best of her/his knowledge, based on such review:

(i) The Parent has fulfilled all of its obligations under the Borrower Documents, and

(ii) to the best of my knowledge, there is no event of default, or any event which, with the passage of time or the giving of notice, would become an event of default under any Borrower Document.

Any capitalized terms used herein shall have the meanings ascribed under the respective definitions contained in the Loan Agreement.

Witness my hand for and on behalf of SSMHCC, as Corporation Representative, this twenty-fifth day of April, 2014.

SSM HEALTH CARE CORPORATION

By: ______________________

Kris A. Zimmer
Treasurer

LIST OF MEMBERS OF THE CREDIT GROUP

<u>Members of the Obligated Group</u>
SSM Health Care Corporation

<u>Designated Affiliates</u>
Good Samaritan Regional Health Center
SSM Audrain Health Care, Inc.
SSM Cardinal Glennon Children's Hospital
SSM Health Businesses
SSM Health Care of Oklahoma, Inc.
SSM Health Care of Wisconsin, Inc.
SSM Health Care St. Louis
SSM Regional Health Services
St. Anthony Shawnee Hospital, Inc.
St. Mary's Hospital, Centralia, Illinois

<u>Unlimited Credit Group Participants</u>
None

<u>Limited Credit Group Participants</u>
None

ATTACHMENT A

Pursuant to Section 404 of the
Master Trust Indenture (Amended and Restated)
between
SSM Health Care Corporation
and
BNY Trust Company of Missouri
(as successor to State Street Bank and Trust Company, N.A.)
as Master Trustee
Dated May 15, 1998

For the Fiscal Year Ended December 31, 2013
(Dollars in Thousands)

<u>Historical Debt Service Coverage Ratio of the Credit Group:</u>

$$\frac{\text{Income Available for Debt Service}}{\text{Debt Service Requirements on Funded Indebtedness}}$$

$$\frac{\$300{,}224}{\$60{,}280} = 4.98$$

<u>Conclusion:</u>
The ratio exceeds the 1.10 minimum required by the Master Trust Indenture.

COVENANT COMPLIANCE CERTIFICATE

For the period ending December 30, 2013

Pursuant to the Standby Bond Purchase Agreement dated May 1, 2008 (the "Agreement") between SSM Health Care Corpoı (the "Borrower") and JPMorgan Chase Bank, N.A., (the "Bank"), the undersigned hereby certifies as follows. Unless otheŋ defined herein, the terms used in this Certificate have the meaning(s) assigned to it/them in the Agreement.

1. I am the duly appointed President, Chief Financial Officer or Administrator of Borrower;

2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision a detailed review of the transactions and condition of the Borrower during the accounting period covered by the financial statements being furnished concurrently with this Certificate;

3. The Borrower is in full compliance with all terms, conditions, covenants and provisions of the Agreement, except a

4. The Borrower reports its compliance with the financial covenants contained in the Agreement as follows:

Covenant:	**Required Threshold**	**Measurement Date**	**Actual Value**
Historical Maximum Annual Debt Service Coverage Ratio (Quarterly Rolling)	$\geq$ 1.10x	Quarterly at 12/31/2013	2.9
Maintenance of Unenhanced Rating	BBB- / Baa3	At all times	*

* The senior long-term indebtedness of the Parent or the Obligated Group as of December 31, 2013 was rated AA- by Standard & Poor's, AA- by Fitch. As of April 11, 2014, the senior long-term indebtedness of the Parent or the Obligated Group is rated A+ by Standard & Poor's. The Fitch rating is unchanged.

5. Each of the representations contained in the Agreement are correct as of this date

6. The financial statements of Borrower as of December 31, 2013, and for the fiscal year then ended, present fairly the financial condition of Borrower and the results of its operations as of the dates of such statements and for the fiscal periods then ended, and since the date of the latest of such statements there has been no material adverse change in its financial position or its operations.

7. No Event of Default has occurred and Borrower is not aware of any facts which might result in an Event of Default.

Dated: April 25, 2014 Borrower SSM Health Care Corporation

By: ______

Its: Treasurer

SSM Health Care Corporation
Bond Issue Series 2005 D-4

Reimbursement Agreement as of May 1, 2008, Article VI, Section 7.25 Debt Service Coverage Ratio

Reconciliation of Debt Service Coverage Ratio dated December 31, 2013:

		Value
A.	Revenues (Including Non-operating income) in excess of expenses	202,684,000
C.	Plus: Interest	42,455,000
D.	Plus: Depreciation	171,378,000
E.	Plus: Amortization	-
F.	Plus: Extraordinary Expenses	
G.	Plus/Minus Unrealized Losses (Gains) On	(123,028,000)
H.	Any Other Items per the Definition	6,735,000
		300,224,000
	Divided by	
I.	Maximum Annual Debt Service (MADS)	102,204,000
J.	Historical Maximum Annual Debt Service Coverage	2.9
K.	Covenant Level	$\geq$ 1.10x
	Compliance (Yes or No)	Yes

4/25/2014

Pursuant to the
Reimbursement Agreements
between
SSM Health Care Corporation
and
JP Morgan Chase Bank, N.A.
Dated as of May 15, 2009

December 31, 2013
(Dollars in Thousands)

Historical Maximum Annual Debt Service Coverage

Income available for Debt Service
Annual Debt Service

$300,224 / $102,204	=	2.94

Historical Debt Service Coverage Ratio >= 1.10 to 1

Days Cash on Hand Ratio.

A.	Aggregate Cash of the Obligated Group at the Statement Date:	$1,600,990
B.	Total Operating Expenses for the 12 month period ending at the Statement Date:	2,988,385
C.	Days Cash (A. * 365 / Line B):	196 to 1
Minimum required:		**75 to 1**

Utilization Statistics for the most recent fiscal year:

Licensed Beds	4,176
Staffed Beds	3,531
Admissions*	155,610
Patient Days*	858,016
Average Length of Stay (Days)	5.5
Percentage occupancy**	66.6%
Emergency Room visits, net	625,025
Outpatient Clinic Visits	1,332,598

* Excludes newborns, including skilled nursing
** Of beds in service

Percentage of Gross Revenues by payor class for most recent fiscal year:

Medicare	35%
Medicaid	12%
Managed Care	42%
Other	11%

APPENDIX III

SSM HEALTH CARE CORPORATION

COMPLIANCE CERTIFICATE

To: JPMorgan Chase Bank, N.A.

This Compliance Certificate is furnished to JPMorgan Chase Bank, N.A. (the "*Bank*") pursuant to that certain Reimbursement Agreement dated as of May 1, 2010 (the "*Reimbursement Agreement*") between SSM Health Care Corporation (the "*Corporation*"), as Obligated Group Agent on behalf of itself and each Member of the Obligated Group and the Bank. Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected Treasurer of the Corporation;

2. I have reviewed the terms of the Reimbursement Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Corporation and its Subsidiaries and the Credit Group during the accounting period covered by the attached financial statements;

3. To the best of the knowledge of the undersigned, each Member of the Obligated Group and each member of the Credit Group has kept, observed, performed and fulfilled each and every covenant, provision and condition of the Reimbursement Agreement, the Bond Indenture, the Loan Agreement and the other Transactional Documents;

4. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or the occurrence of any event which constitutes a Default or Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Compliance Certificate, except as set forth below;

5. The financial statements required by Section 5.1 of the Reimbursement Agreement and being furnished to you concurrently with this Compliance Certificate are true, correct and complete as of the date and for the periods covered thereby; and

6. The Schedule I hereto sets forth financial data and computations evidencing the Credit Group's compliance with certain covenants of the Reimbursement Agreement, all of which data and computations are, to the best of my knowledge, true, complete and correct and have been made in accordance with the relevant Sections of the Reimbursement Agreement.

Described below are the exceptions, if any, to paragraph 4 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Corporation has taken, is taking, or proposes to take with respect to each such condition or event:

NONE

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this 25th day of April 2014.

SSM HEALTH CARE CORPORATION

By: Kris A. Zimmer

Name: Kris A. Zimmer

Title: Sr. VP – Finance/Treasurer

SCHEDULE 1
TO COMPLIANCE CERTIFICATE

SSM HEALTH CARE CORPORATION

COMPLIANCE CALCULATIONS
FOR REIMBURSEMENT AGREEMENT DATED AS OF MAY 1, 2010

CALCULATIONS AS OF DECEMBER 31, 2013

A. Historical Debt Service Coverage Ratio of the Credit Group (Section 5.26(a))

1.	Income Available for Debt Service (as defined in the Master Indenture) for the Credit Group	$300,224
2.	Debt Service Requirements on Funded Indebtedness (as Defined in the Master Indenture) for the Credit Group	$102,204
3.	Ratio of Line A1 to Line A2	2.94:1.0
4.	Line A3 must be greater than or equal to	1.1:1.0
5.	The Credit Group is in compliance (circle yes or no)	yes/no

B. Days Cash on Hand Ratio of the Credit Group (Section 5.26(b))

1.	Total cash, cash equivalents and marketable securities of the Credit Group (the Corporation (A) may include cash, cash equivalents and marketable securities constituting Board-designated funds of the Credit Group which are not restricted by the donor, by contract, by court order or by governmental restrictions as to use, and (B) may not include (i) any portion of cash, cash equivalents or marketable securities which have been derived from the proceeds of any loan, line of credit, or other similar loan facilities that have been drawn by the Credit Group, in the reasonable opinion of the Bank, for the sole or primary purpose of meeting the covenant set forth in Section 5.26(b) of the Reimbursement Agreement and (ii) cash of the Credit Group which has been Posted as collateral under any Swap Contract)	1,600,990
2.	365	365
3.	Product of Line B1 and Line B2	584,361,350
4.	Total operating expense of the Credit Group (excluding	2,988,385

depreciation amortization, non-cash expenses relating to uncollectible accounts and expenses paid or payable from restricted funds) incurred during the 12-month period ending on such date of calculation

5.	Ratio of Line B3 to Line B4	196 to 1
6.	Line B5 must be greater than or equal to	75 days
7.	The Credit Group is in compliance (circle yes or no)	yes/no

SSM HEALTH CARE CREDIT GROUP

SERIES 2005 STANDBY BOND PURCHASE AGREEMENT OFFICER'S CERTIFICATE

The attached document constitutes the form of annual Officer's Certificate contained in the Standby Bond Purchase Agreement.

OFFICER'S CERTIFICATE

Citibank N.A.
2nd Floor
399 Greenwich Street
New York, NY 10013
Attn: Manager Credit and Financial Products

Re: **Officer's Certificate for Fiscal Year Ending December 31, 2013**

Ladies and Gentlemen:

This certificate is delivered pursuant to the requirements of Article VI of the Standby Bond Insurance Agreement dated as of July 1, 2005 (the "Agreement") between SSM Health Care Corporation and Citibank N.A. Simultaneous to the provision of this Certificate, SSM Health Care Corporation hereby provides audited financial statements of the Borrower including the balance sheet as of the end of the Fiscal year and related statements of revenues, expenses and cash flows and changes in fund balances, compared to the preceding Fiscal Year.

The undersigned hereby certifies on behalf of the Borrower as follows:

(a) Under my supervision, the Borrower has made a review of its activities during the preceding annual period for the purpose of determining whether or not the Borrower has complied with all of the terms, provisions and conditions of this Agreement and the Related Documents, and

(b) To the best of my knowledge, the Borrower is not in Default in the performance or observance of any of the terms, covenants, provisions or conditions of this Agreement or any of the Related Documents, or if the Borrower shall be in Default, such certificate shall specify each such Default, the nature and status thereof and any remedial steps taken or proposed to correct each such Default.

Dated as of April 25, 2014

SSM HEALTH CARE CORPORATION, as Obligated Group Agent

By: Kris A. Zimmer
Its: Treasurer

OFFICER'S CERTIFICATE

Citibank N.A.
2nd Floor
399 Greenwich Street
New York, NY 10013
Attn: Manager Credit and Financial Products

Re: **Officer's Certificate for Fiscal Year Ending December 31, 2013**

Ladies and Gentlemen:

This Compliance Certificate is furnished pursuant to that certain Libor Rate Loan Agreement dated July 26, 2012, (as amended, modified, renewed or extended from time to time, the "Agreement") among CITIBANK, N.A. (the "Initial Lender"), the HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI, a body politic and corporate and public instrumentality organized and existing under the laws of the State of Missouri (the "Authority"), SSM HEALTH CARE CORPORATION, a Missouri nonprofit corporation (the "Borrower") for itself as Borrower and as Obligated Group Agent on behalf of the Obligated Group, THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as bond trustee (the "Trustee") and CITIBANK, N.A., as agent for the Lenders (the "Agent"), and for itself as Initial Lender (the "Initial Lender") and the other Lenders from time to time a party thereto. Unless otherwise defined herein, capitalized terms used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the Treasurer of the Borrower.

2. This Compliance Certificate is provided with respect to the calendar year ending on December 31, 2013 (the "Relevant Period").

3. Under my supervision, the Borrower has made a review of its activities during the preceding Fiscal Year for the purpose of determining whether or not the Borrower has complied with all of the terms, provisions, covenants and conditions of this Agreement and the Related Documents, and to the best of my knowledge the Borrower and each Member has kept, observed, performed and fulfilled each term, provision, covenant and condition and (except as set forth in paragraph 4 below) is not in Default in the performance or observance of any of the terms, covenants, provisions or conditions of this Agreement or any of the other Related Documents; and

4. I have no knowledge of the existence of any condition or event which constitutes a Default during or at the end of the Relevant Period or as of the date of this Compliance Certificate, except as set forth below:

The following Defaults exist, and with respect to each such Default I have described in detail the nature of such Default, the period of its existence, the status thereof and the action which the Borrower has taken, is taking or proposes to take to correct or remedy such Default:

NONE

5. In accordance with Section 5.02(c) of the Agreement, I certify on behalf of the Borrower that the Borrower is in compliance with the financial covenants in Section 5.16 of the Agreement required to be satisfied as of the end of the Relevant Period, and specifically that as of December 31, 2013, for the Relevant Period:

(a) Pursuant to Section 5.16(a), the Historical Debt Service Coverage Ratio 4.98, for the 12-month period then ended December 31, 2013. Pursuant to Section 5.16(b), the Days' Cash on Hand Ratio is 196 days as of the last day of such Fiscal Year.

(b) Annex A attached hereto sets forth financial data and computations evidencing the Borrower's compliance with the above covenants of the Agreement, all of which data and computations are true, complete and correct.

The foregoing certifications, together with any financial data and computations provided herewith, are made and delivered this 25th day of April, 2014.

SSM HEALTH CARE CORPORATION

By Kris A. Zimmer

Name Kris A. Zimmer

Title Treasurer

For the Quarter/Year ended December 31, 2013 ("Statement Date")

Annex A
to the Compliance Certificate

I. Section 5.16(a) - Historical Debt Service Coverage Ratio

A.	Income Available for Debt Service for the twelve month period ending on the Statement Date:	$300,224
B.	Debt Service Requirements on Funded Indebtedness for the twelve month period ending on the Statement Date:	60,280
C.	Debt Service Coverage Ratio (Line II.A.9 / Line II.B):	4.98 to 1
	Measured quarterly	
	Minimum required:	1.1 to 1

II. Section 5.16(b) - Days Cash on Hand Ratio.

A.	Aggregate Cash of the Obligated Group at the Statement Date:	$1,600,990
B.	Total Operating Expenses for the 12 month period ending at the Statement Date:	2,988,385
C.	Days Cash (Line II.A. * 365 / Line II.B):	196 to 1
	Measured on the second fiscal quarter and fourth fiscal quarter.	
	Minimum required:	75 to 1

SSM HEALTH CARE CREDIT GROUP

SERIES 2005C & D LOAN AGREEMENT CERTIFICATES OF COMPLIANCE

The attached documents constitute the forms of annual Certificates of Compliance contained in the Series 2005C & D Loan Agreements.

OFFICER'S CERTIFICATE

Financial Security Assurance, Inc.
125 Park Avenue
New York, New York 10017
Attn: Risk Management

Re: **Officer's Certificate for Fiscal Year Ending December 31, 2013**

Ladies and Gentlemen:

This certificate is delivered pursuant to the requirements of the Insurance Agreement dated as of July 1, 2005 (the "Insurance Agreement") between SSM Health Care Corporation and Financial Security Assurance, Inc. Certain terms used herein have the meanings assigned in the Insurance Agreement and the Master Indenture (as defined in the Insurance Agreement). The undersigned hereby certifies on behalf of the Credit Group as follows:

(a) The senior long-term indebtedness of the Parent or the Obligated Group as of December 31, 2013 was rated AA- by Standard & Poor's, AA- by Fitch. As of April 11, 2014, the senior long-term indebtedness of the Parent or the Obligated Group is rated A+ by Standard & Poor's. The Fitch rating is unchanged.

Full Fiscal Year

(b) Based upon the most recent Audited Financial Statements of SSM Health Care Consolidated Financial Statements with additional information for the SSM Health Care Credit Group, Unrestricted Cash and Investments for the Credit Group were equal to $1,600,990,000, Operating Expenses for the Credit Group were equal to $2,988,385,000 and Days Cash on Hand as of the last day of the Fiscal Year was 196.

(c) The Historical Debt Service Coverage Ratio of the Credit Group based upon the most recent Audited Financial Statements of SSM Health Care Corporation Consolidated Financial Statements with additional information for the SSM Health Care Credit Group was 4.28 to 1.0.

Dated as of April 25, 2014

SSM HEALTH CARE CORPORATION, as Obligated Group Agent

By: Kris A. Zimmer

Kris A. Zimmer
Its: Treasurer

LOAN AGREEMENT

BETWEEN

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI

AND

SSM HEALTH CARE CORPORATION

BOND INSURER REPORTING REQUIREMENTS

Pursuant to the
Insurance Agreements
between
SSM Health Care Corporation
and
Financial Security Assurance, Inc.
Dated as of July 1, 2005

For the Fiscal Year Ended December 31, 2013
(Dollars In Thousands)

Unrestricted Cash & Investments, Operating Expense and Days Cash on Hand

Unrestricted Cash & Investments	
Cash and cash equivalents	$ 13,550
Short-term investments	111,445
Total Assets Whose Use Is Limited or Restricted	1,988,535
Less:	
Temporarily restricted	(316)
Permanently restricted	(8,369)
Held by trustee:	
Project funds	-
Debt service	(5,995)
Self-insurance	(161,152)
Rabbi Trust & Pension Rest	(130,270)
Collateral held under swap agreements	-
Collateral held under securities lending agreements	(206,438)
	$ 1,600,990

Operating Expenses for calculation of FGIC/FSA Days Cash on Hand	
Total operating expenses per financial statements	$ 3,175,642
Less:	
Depreciation and amortization	(171,319)
Other non-cash operating expenses	307
Unrealized gains/losses-Operating	(9,510)
Loss on early extinguishment of debt	-
Impairment losses	(6,735)
Total	$ 2,988,385

Days Cash on Hand	
Unrestricted Cash & Investments	$ 1,600,990
Divided by:	
Operating Expenses for calculation of FGIC/FSA Days Cash on Hand	$ 2,988,385
Days	365
	$ 8,187
	195.55

Conclusion:
The Days Cash on Hand is greater than 65, therefore no action is required by the Credit Group.

Historical Debt Service Coverage Ratio of the Credit Group:

$$\frac{\text{Income Available for Debt Service}}{\text{Debt Service Requirements on Funded Indebtedness}}$$

$$\frac{\$300,224}{\$60,280} = 4.98$$

Conclusion:
This ratio exceeds the 1.00 minimum required by Section 4 of the Insurance Agreement, therefore no action is required by the Credit Group.

No disposition of Property, and no consolidation, merger, addition or withdrawal of a Member if it would reduce the Historical Debt Service Coverage Ratio by more than 20%

Capitalization Ratio of the Credit Group:

$$\frac{\text{Funded Indebtedness + Short-Term Indebtedness of the Credit Group}}{\text{Funded Indebtedness + Short-Term Indebtedness + Total Unrestricted Net Assets of the Credit Group}}$$

$$\frac{\$1,281,863}{\$2,650,118} = 0.48$$

Conclusion:
This ratio does not exceed the 0.60 maximum required by Section 2.4 of the Insurance Agreement, therefore no action is required by the Credit Group.

SSM HEALTH · CARE

April 25, 2014

Mr. Dan Wilson
Surveillance Department
MBIA Insurance Corporation
113 King Street
Armonk, New York 10504
(914) 273-4545

Re: **SSM Health Care Credit Group**

Dear Mr. Wilson:

The undersigned, SSM Health Care Corporation, a Missouri nonprofit corporation ("SSMHCC"), which is the Obligated Group Agent under the Master Trust Indenture dated as of May 15, 1998, as supplemented and amended by Supplemental Master Trust Indentures Nos. 1-19 by and among SSM Health Care Credit Group Members and UMB Bank, N.A. (formerly State Street Bank and Trust Company of Missouri), as Master Trustee (hereinafter collectively referred to as the "Master Trust Indenture") encloses information herewith in compliance with the requirements of Article II(f) of the Reimbursement and Indemnity, Section 9.6 (1998A Missouri and Oklahoma) and Section 9.6 (1998B Oklahoma, Illinois and Wisconsin) of the Loan Agreements.

Any capitalized terms used herein shall have the meanings ascribed under the respective definitions contained in the Master Trust Indenture, Loan Agreements and Bond Trust Indenture.

If you have any questions regarding the enclosed, please contact the undersigned.

Sincerely,

SSM HEALTH CARE CORPORATION, as Obligated Group Agent

By: Kris A. Zimmer

Kris A. Zimmer
Treasurer

12312 Olive Blvd., Suite 600
St. Louis, MO 63141-5450
www.ssmhc.com

(314) 523 8700 *phone*
(314) 523 8701 *fax*

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HISTORICAL DEBT SERVICE COVERAGE

	Fiscal Year Ended December 31, (in thousands)		
	2012	2013	
Net Income	$278,143	$ 202,684	
Loss on early extinguishment of debt	1,125	-	
Depreciation and amortization	154,199	171,378	
Impairment loss		6,735	
Unrealized (gains) losses	(91,906)	(62,516)	
MTM adjustment on interest rate swaps	(306)	(60,512)	
Interest expense	37,015	42,455	
Total income available	$378,270	$ 300,224	
	$378,270	$ 300,224	Annualized
Actual debt service	$88,458	$ 60,280	
Actual debt service coverage	4.30 x	4.98 x	

LIQUIDITY

	Fiscal Year Ended December 31, (in thousands)		
	2011	2012	2013
Current Assets:			
Cash and Investments	$105,908	$95,418	$124,995
Days Cash and Investments	14	12	15
Assets Whose Use is Limited (excluding trustee-held funds, self insurance trust funds and donor restricted funds)			
Cash and Investments	$1,308,643	$1,397,425	$1,475,995
Days Cash and Investments	176	183	181
Total Days Cash and Investments	190	195	196

SOURCES OF PATIENT REVENUES

	Gross Revenue by Payor Fiscal Year Ended December 31,		
Payor	2011	2012	2013
Medicare	34%	33%	34%
Medicaid	12%	12%	12%
Managed Care	45%	46%	43%
Commercial, Self-Pay and Other	9%	9%	11%
	100%	100%	100%

UTILIZATION BY MARKET

Licensed Beds

Region	As of 12/31/2013 Acute	SNF
SSMHC - St. Louis	1,903	0
SSMHC of Wisconsin	590	311
SSMHC of Oklahoma	788	0
Good Samaritan	247	0
St. Marys, Jefferson City	256	0
St. Francis, Maryville	81	0
Total	3,865	311

Admissions

Region	2011	2012	2013
SSMHC - St. Louis	86,596	82,438	80,455
SSMHC of Wisconsin	24,326	26,303	26,294
SSMHC of Oklahoma	17,608	22,248	26,057
St. Francis, Blue Island	0	0	0
Good Samaritan	13,394	13,180	12,714
St. Marys, Jefferson City	8,666	8,067	8,629
St. Francis, Maryville	1,547	1,390	1,461
Total	152,137	153,626	155,610

Total Patient Days

	2011	2012	2013
SSMHC - St. Louis	408,196	390,334	386,539
SSMHC of Wisconsin	201,939	207,934	208,106
SSMHC of Oklahoma	151,598	157,852	173,282
St. Francis, Blue Island	0	0	0
Good Samaritan	52,156	50,521	49,461
St. Marys, Jefferson City	34,255	32,939	34,250
St. Francis, Maryville	7,275	6,140	6,378
Total	855,419	845,720	858,016

Admission and patient day data include acute, rehabilitation and long-term care.

SSM HEALTH CARE CREDIT GROUP

<u>SERIES 2005C & D LOAN AGREEMENT CERTIFICATES OF COMPLIANCE</u>

The attached documents constitute the forms of annual Certificates of Compliance contained in the Series 2005C & D Loan Agreements.

CERTIFICATE OF COMPLIANCE

Missouri Health and Educational Facilities Authority
15450 S. Outer Forty Road, Suite 230
Chesterfield, Missouri 63017
Attention: Michael J. Stanard

BNY Trust Company of Missouri, as bond trustee (the "Bond Trustee")
911 Washington Avenue, Third Floor
St. Louis, Missouri 63101
Attention: Nancy L. Mogelnicki

Re: **Certificate of Compliance for Fiscal Year Ending December 31, 2013**

Ladies and Gentlemen:

The undersigned is the Parent Representative as such term is defined in the Bond Trust Indenture dated as of May 1, 2008 between the Issuer and the Bond Trustee. This certificate is delivered pursuant to the requirements of Section 9.2 of the Loan Agreement dated as of July 1, 2008 between the Issuer and SSM Health Care Corporation. Certain terms used herein have the meanings assigned in the Bond Trust Indenture. The undersigned hereby certifies as follows on behalf of SSM:

a. He has made or caused to be made a review of the activities of the Parent for the fiscal year ended December 31, 2013 and of the performance of the Parent of its obligations under the Loan Agreement;

b. He is familiar with the provisions of the Loan Agreement, the Master Indenture, the Tax Exemption Agreement and the Tax Use Agreements (collectively, the "Borrower Documents") and, to the best of her/his knowledge, based on such review:

   i. The Parent has fulfilled all of its obligations under the Borrower Documents, and

   ii. To the best of my knowledge, there is no event of default, or any event which, with the passage of time or the giving of notice, would become an event of default under any Borrower Document.

Dated as of April 25, 2014

SSM HEALTH CARE CORPORATION

By ______________________

Kris A. Zimmer
Treasurer

SSM HEALTH CARE CREDIT GROUP
UTILIZATION STATISTICS

SSM HEALTH CARE CREDIT GROUP

Utilization Statistics for the most recent fiscal year:

Licensed Beds	4,176
Staffed Beds	3,531
Admissions*	155,610
Patient Days*	858,016
Average Length of Stay (Days)	5.5
Percentage occupancy**	66.6%
Emergency Room visits, net	625,025
Outpatient Clinic Visits	1,332,598

* Excludes newborns, including skilled nursing
** Of beds in service

Percentage of Gross Revenues by payor class for most recent fiscal year:

Medicare	34%
Medicaid	12%
Managed Care	43%
Other	11%

Medicare Case Mix Index for the most recent fiscal year: 1.66

4/25/2014

APPENDIX III

SSM HEALTH CARE CORPORATION

COMPLIANCE CERTIFICATE

To: PNC Bank, National Association

This Compliance Certificate is furnished to PNC Bank, National Association (the "*Bank*") pursuant to that certain Reimbursement Agreement dated as of May 1, 2010 (the "*Reimbursement Agreement*") between SSM Health Care Corporation (the "*Corporation*"), as Obligated Group Agent on behalf of itself and each Member of the Obligated Group and the Bank. Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected Treasurer of the Corporation;

2. I have reviewed the terms of the Reimbursement Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Corporation and its Subsidiaries and the Credit Group during the accounting period covered by the attached financial statements;

3. To the best of the knowledge of the undersigned, each Member of the Obligated Group and each member of the Credit Group has kept, observed, performed and fulfilled each and every covenant, provision and condition of the Reimbursement Agreement, the Bond Indenture, the Loan Agreement and the other Transactional Documents;

4. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or the occurrence of any event which constitutes a Default or Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Compliance Certificate, except as set forth below;

5. The financial statements required by Section 5.1 of the Reimbursement Agreement and being furnished to you concurrently with this Compliance Certificate are true, correct and complete as of the date and for the periods covered thereby; and

6. The Schedule I hereto sets forth financial data and computations evidencing the Credit Group's compliance with certain covenants of the Reimbursement Agreement, all of which data and computations are, to the best of my knowledge, true, complete and correct and have been made in accordance with the relevant Sections of the Reimbursement Agreement.

Described below are the exceptions, if any, to paragraph 4 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Corporation has taken, is taking, or proposes to take with respect to each such condition or event:

NONE

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this 25th day of April 2014.

SSM HEALTH CARE CORPORATION

By: Kris A Zimmer

Name: Kris A. Zimmer

Title: Sr. VP – Finance & Treasurer

SCHEDULE 1
TO COMPLIANCE CERTIFICATE

SSM HEALTH CARE CORPORATION

COMPLIANCE CALCULATIONS
FOR REIMBURSEMENT AGREEMENT DATED AS OF MAY 1, 2010

CALCULATIONS AS OF DECEMBER 31, 2013

A. Historical Debt Service Coverage Ratio of the Credit Group (Section 5.26(a))

1. Income Available for Debt Service (as defined in the Master Indenture) for the Credit Group	\$300,224
2. Debt Service Requirements on Funded Indebtedness (as Defined in the Master Indenture) for the Credit Group	\$102,204
3. Ratio of Line A1 to Line A2	2.94:1.0
4. Line A3 must be greater than or equal to	1.1:1.0
5. The Credit Group is in compliance (circle yes or no)	yes/no

B. Days Cash on Hand Ratio of the Credit Group (Section 5.26(b))

1. Total cash, cash equivalents and marketable securities of the Credit Group (the Corporation (A) may include cash, cash equivalents and marketable securities constituting Board-designated funds of the Credit Group which are not restricted by the donor, by contract, by court order or by governmental restrictions as to use, and (B) may not include (i) any portion of cash, cash equivalents or marketable securities which have been derived from the proceeds of any loan, line of credit, or other similar loan facilities that have been drawn by the Credit Group, in the reasonable opinion of the Bank, for the sole or primary purpose of meeting the covenant set forth in Section 5.26(b) of the Reimbursement Agreement and (ii) cash of the Credit Group which has been Posted as collateral under any Swap Contract)	1,600,990
2. 365	365
3. Product of Line B1 and Line B2	584,361,350
4. Total operating expense of the Credit Group (excluding	2,988,385

depreciation amortization, non-cash expenses relating to uncollectible accounts and expenses paid or payable from restricted funds) incurred during the 12-month period ending on such date of calculation

5.	Ratio of Line B3 to Line B4	196 to 1
6.	Line B5 must be greater than or equal to	75 days
7.	The Credit Group is in compliance (circle yes or no)	yes/no

EXHIBIT A

CERTIFICATE OF COMPLIANCE

The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Bond Trustee")
St Louis, Missouri

Re: Certificate of Compliance for Fiscal Year Ending December 31, 2013

Ladies and Gentlemen:

The undersigned is the Parent Representative as such term defined in the Bond Trust Indenture dated as of July 1, 2012 between the Authority and the Bond Trustee. This certificate is delivered pursuant to the requirements of **Section 9.2** of the Loan Agreement dated as of July 1, 2012 between the Authority and SSM Health Care Corporation ("the Parent"). Certain terms used herein have the meanings assigned in the Bond Trust Indenture. The undersigned hereby certifies as follows on behalf of the Parent:

(a) He has made or caused to be made a review of the activities of the Parent for the fiscal year ended December 31, 2013 and of the performance of the Parent of its obligations under the Loan Agreement;

(b) He is familiar with the provisions of the Loan Agreement, the Master Indenture, the Tax Agreement and the Tax Use agreement (collectively, the "Borrowers documents") and, to the best of his knowledge, based on such review:

(i) the Parent has fulfilled all of its obligations under the Borrower Documents, and

(ii) there is no event of default, or any event which, with the passage of time or the giving of notice, would become an event of default under any Borrower Document.

Dated as of 4/25/14

SSM Health Care Corporation

By: Kris A. Zimmer

Its: Treasurer

Pursuant to the
Agreements
between
SSM Health Care Corporation
and
PNC

December 31, 2013
(Dollars in Thousands)

Historical Maximum Annual Debt Service Coverage

$$\frac{\text{Income available for Debt Service}}{\text{Annual Debt Service}}$$

$$\frac{\$300,224}{\$102,204} = 2.94$$

Historical Debt Service Coverage Ratio >= 1.10 to 1

Days Cash on Hand Ratio.

A.	Aggregate Cash of the Obligated Group at the Statement Date:	$1,600,990
B.	Total Operating Expenses for the 12 month period ending at the Statement Date:	2,988,385
C.	Days Cash (A. * 365 / Line B):	196 to 1
Minimum required:		**75 to 1**

Utilization Statistics for the most recent fiscal year:

Licensed Beds	4,176
Staffed Beds	3,531
Admissions*	155,610
Patient Days*	858,016
Average Length of Stay (Days)	5.5
Percentage occupancy**	66.6%
Emergency Room visits, net	625,025
Outpatient Clinic Visits	1,332,598

* Excludes newborns, including skilled nursing
** Of beds in service

Percentage of Gross Revenues by payor class for most recent fiscal year:

Medicare	35%
Medicaid	12%
Managed Care	42%
Other	11%

COMPLIANCE CERTIFICATE

This Compliance Certificate is furnished to PNC Bank, National Association (the "Bank"), pursuant to that certain Bondholder's Agreement dated as of July 1, 2012 (the "Agreement"), between SSM Health Care Corporation , as Obligate Group Agent, on behalf of itself and the other Members of the Obligated Group (the "Corporation") and the Bank. Unless otherwise defined herein, the term used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

THE UNDERSIGNED HERBY CERTIFIES THAT:

1. I am the duly appointed Treasurer of the Corporation;

2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Corporation during the accounting period covered by the attached financial statements;

3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or the occurrence of any even which constitutes a Default or an Event during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below;

4. During the accounting period covered by the attached financial statements, no amendments to the Investment Policy were adopted.

5. To the best of my knowledge the financial statements required by Section 5.01of the Agreement and being furnished to you concurrently with this certificate fairly represent the Corporation's condition in accordance with GAAP as of the dates and for the periods covered thereby; and

6. The attachment hereto sets forth financial data and computations evidencing the Corporation's currents compliance with certain covenants of the Agreement all of which data and computations are, to the best of my knowledge, true, complete and correct and have been made in accordance with the relevant Sections and definitions of the Agreement.

Described below are the exceptions, if any, to paragraph 3 by listing, the nature of the condition or event, the period during which it has existed and the action which the Corporation has taken, is taking, or proposes to take with respect to each such condition or even:

____

The foregoing certifications, together with the computations set forth in the Attachment hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this 25th day of April, 2014.

SSM Health Care Corporation, as Obligated Group Agent, on behalf of itself and the other Members of the Obligated Group

By____________________

Name: Kris Zimmer

Title: Treasurer

ATTACHMENT TO COMPLIANCE CERTIFICATE

COMPLIANCE CALCULATIONS FOR BONDHOLDER'S AGREEMENT

Dated as of Jul 1, 2012

Calculations as of December 31, 2013

A. Historical Debt Service Coverage Ratio of the Credit Group (Section 5.26(a))

1.	Income Available for Debt Service (as defined in the Master Indenture) for the Credit Group	$300,224
2.	Debt Service Requirements on Funded Indebtedness (as Defined in the Master Indenture) for the Credit Group	$102,204
3.	Ratio of Line A1 to Line A2	2.94:1.0
4.	Line A3 must be greater than or equal to	1.1:1.0
5.	The Credit Group is in compliance (circle yes or no)	yes/no

B. Days Cash on Hand Ratio of the Credit Group (Section 5.26(b))

1.	Total cash, cash equivalents and marketable securities of the Credit Group (the Corporation (A) may include cash, cash equivalents and marketable securities constituting Board-designated funds of the Credit Group which are not restricted by the donor, by contract, by court order or by governmental restrictions as to use, and (B) may not include (i) any portion of cash, cash equivalents or marketable securities which have been derived from the proceeds of any loan, line of credit, or other similar loan facilities that have been drawn by the Credit Group, in the reasonable opinion of the Bank, for the sole or primary purpose of meeting the covenant set forth in Section 5.26(b) of the Reimbursement Agreement and (ii) cash of the Credit Group which has been Posted as collateral under any Swap Contract)	1,600,990
2.	365	365
3.	Product of Line B1 and Line B2	584,361,350
4.	Total operating expense of the Credit Group (excluding depreciation amortization, non-cash expenses relating to uncollectible accounts and expenses paid or payable from restricted funds) incurred during the 12-month period ending on such date of calculation	2,988,385

5. Ratio of Line B3 to Line B4	196 to 1
6. Line B5 must be greater than or equal to	75 days
7. The Credit Group is in compliance (circle yes or no)	yes/no

SSM HEALTH · CARE

April 25, 2014

UMB Bank, N.A.
Corporate Trust Division
2 South Broadway, Suite 435
St. Louis, MO 63102
Attention: Rebecca Dengler

Re: **SSM Health Care Credit Group**
Master Trust Indenture Annual Certifications
Series 1998B, 2002A&B Bonds, and 2010E

Dear Ms. Dengler:

The undersigned, SSM Health Care Corporation, a Missouri nonprofit corporation ("SSMHCC"), which is the Obligated Group Agent under the Master Trust Indenture dated as of May 15, 1998, as supplemented and amended by Supplemental Master Trust Indentures Nos. 1-19 encloses herewith in compliance with the requirements of Section 406(a), (b) and (c) of the Master Trust Indenture the following:

1. The audited financial statements, accompanied by an opinion of an accountant, of the SSM Health Care Consolidated Financial Statements with additional information for the SSM Health Care Credit Group for the year ended December 31, 2013.

2. An executed Officer's Certificate which complies with the requirements of Section 406(c) of the Master Trust Indenture.

Any capitalized terms used herein shall have the meanings ascribed under the respective definitions contained in the Master Trust Indenture.

If you have any questions regarding the enclosed, please contact the undersigned.

Sincerely,

SSM HEALTH CARE CORPORATION, as Obligated Group Agent

By: Kris A Zimmer
Kris A. Zimmer
Treasurer

12312 Olive Blvd., Suite 600
St. Louis, MO 63141-5450
www.ssmhc.com

(314) 523 8700 *phone*
(314) 523 8701 *fax*

Malcolm Baldrige National Quality Award
2002 Award Recipient

SSM HEALTH CARE CREDIT GROUP

SERIES 2005 STANDBY BOND PURCHASE AGREEMENT OFFICER'S CERTIFICATE

The attached document constitutes the form of annual Officer's Certificate contained in the Standby Bond Purchase Agreement.

OFFICER'S CERTIFICATE

U.S. Bank, National Association
Mail Location: SL-TW-11SI
One US Bank Plaza
7th & Washington
St. Louis, MO 63101
Attn: Michael E. Dorn

Re: **Officer's Certificate for Fiscal Year Ending December 31, 2013**

Ladies and Gentlemen:

This certificate is delivered pursuant to the requirements of Article VI of the Standby Bond Insurance Agreement dated as of July 1, 2005 (the "Agreement") between SSM Health Care Corporation and U.S. Bank, N.A. Simultaneous to the provision of this Certificate, SSM Health Care Corporation hereby provides audited financial statements of the Borrower including the balance sheet as of the end of the Fiscal year and related statements of revenues, expenses and cash flows and changes in fund balances, compared to the preceding Fiscal Year.

The undersigned hereby certifies on behalf of the Borrower as follows:

(a) Under my supervision, the Borrower has made a review of its activities during the preceding annual period for the purpose of determining whether or not the Borrower has complied with all of the terms, provisions and conditions of this Agreement and the Related Documents, and

(b) To the best of my knowledge, the Borrower is not in Default in the performance or observance of any of the terms, covenants, provisions or conditions of this Agreement or any of the Related Documents, or if the Borrower shall be in Default, such certificate shall specify each such Default, the nature and status thereof and any remedial steps taken or proposed to correct each such Default.

Dated as of April 25, 2014

SSM HEALTH CARE CORPORATION, as Obligated Group Agent

By: Kris A. Zimmer
Kris A. Zimmer
Its: Treasurer

This document is dated March 28, 2014.

SPECIAL NOTE CONCERNING FORWARD LOOKING STATEMENTS. Certain of the discussions included in the following Management Discussion and Analysis ("Analysis") may include certain forward-looking statements which involve known and unknown risks and uncertainties inherent in the operation of health care operations. Actual actions or results may differ materially from those discussed in the Analysis. Specific factors that might cause such differences include, but are not limited to: competition from other health care providers, economic conditions in the communities SSM Health Care serves, state and federal regulation and the policies and practices of private insurers regarding payment for medical services. In particular, statements preceded by, followed by or that include the words "believes", "estimates", "expects", "anticipates", "plans", "intends", "scheduled", "projects" or other similar expressions constitute forward-looking statements.

SSM HEALTH CARE (SSMHC)

Management Discussion and Analysis (MD&A)

concerning the

Consolidated Financial Statements for the Twelve Months ended December 31, 2013

SSM HEALTH · CARE™

National Quality Award

2002 Award Recipient

The following discussion of results of operations and financial condition should be read in conjunction with the consolidated financial statements and related notes. All dollar amounts are shown in thousands unless otherwise noted. This discussion contains forward-looking statements based on current expectations that involve risks and uncertainties. Actual results and the timing of certain events may differ significantly from those projected in such forward-looking statements due to a number of factors, including those discussed in the forepart of this Official Statement in the section entitled "HEALTHCARE INDUSTRY RISK FACTORS."

Certain Critical Accounting Policies and Estimates. The preparation of SSMHC's consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. SSMHC bases its estimates on historical experience and various other assumptions that it believes are reasonable under the particular facts and circumstances.

Consolidation. The consolidated financial statements of SSMHC include the accounts of SSMHCC and all wholly owned, majority owned, and controlled entities, including the consolidated statements for SSMHC Liability Trust I and SSMHC Liability Trust II. Operating consolidated results of DHS are included for the period September 1, 2013 through December 31, 2013. All significant intercompany balances and transactions have been eliminated in consolidation.

Patient Accounts Receivable. SSMHC has agreements with third party payors that provide for payments at amounts different from each hospital's established rates. Patient accounts receivable and net patient service revenue are reported at the net realizable amount from patients, third party payors, and others for services rendered. Reserves for charity and uncollectible amounts have been established and are netted against patient accounts receivable in the consolidated balance sheets.

Goodwill. Goodwill represents the excess of costs over the fair value of assets of businesses acquired. Goodwill acquired in business combinations is not amortized, but instead is subject to impairment tests performed at least annually. Goodwill is evaluated for possible impairment by comparing the fair value of a reporting unit with its carrying value, including the goodwill assigned to that reporting unit. An impairment charge is recorded if the carrying value of the goodwill exceeds its implied fair value. The determination of a reporting unit's fair value requires management to make significant assumptions regarding estimated future cash flows and long-term growth rates. As a result, there is at least a reasonable possibility that recorded estimates of fair value and impairment will change. A non-cash impairment loss of $6.7 million was recorded in 2013 related to Audrain Medical Center.

Fair Value of Assets and Liabilities. All financial instruments are disclosed at fair value where it is practicable to measure. SSMHC defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. For further discussion of SSMHC's fair value method policies see Note 7 of the audited consolidated financial statements as of and for the year ended December 31, 2013.

Investments and Investment Income. The SSMHC Investment Committee has established guidelines for investment decisions. Within those guidelines, SSMHC invests in equity and debt securities which are measured at fair value.

SSMHC also invests in alternative investments through limited partnerships. Alternative investments are comprised of real estate and direct hedge fund vehicles. SSMHC receives a proportionate share of the investment gains and losses of the partnerships. The direct hedge fund-of-funds managers have full discretionary authority over the investment decisions, within SSMHC guidelines. These alternative investment vehicles invest in equity securities, fixed income securities, currencies, real estate, and derivatives.

SSMHC's ownership interests in these alternative investments are recorded at the net asset value as referred to in Note 7 of the consolidated financial statements of SSMHC as of and for the year ended December 31, 2013.

Alternative investments generally are not marketable, and many alternative investments have underlying investments which may not have quoted market values. The estimated value of such investments is subject to uncertainty and could differ had a ready market existed. Such differences could be material. SSMHC's risk is limited to its capital investment in each investment and existing capital call commitments.

Performance Indicator. The consolidated statements of operations and changes in net assets include excess revenues over expenses as SSMHC's performance indicator. Changes in unrestricted net assets that are excluded from excess of revenues over expenses, consistent with industry practice, include changes in unrealized gains and losses on investments, net of available for sale investments held by equity investees; permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for the purpose of acquiring such assets); and pension-related changes other than net periodic pension cost.

See further discussion of significant accounting policies in Note 2 of the consolidated financial statements as of and for the year ended December 31, 2013.

Acquisitions and Mergers — SSMHC entered into the following significant acquisition activities during the years ended December 31, 2013 and 2012.

A) Dean Health Systems, Inc. — Effective April 16, 2013, SSMHC and DHS entered into an Agreement and Plan of Merger with DHS and its subsidiaries becoming wholly owned subsidiaries of SSMHC on September 1, 2013. Prior to the acquisition, SSMHC owned 5% of the outstanding stock of DHS, accounted for under the cost method of accounting, 47% of the outstanding stock of DHI and 47% of Dean Health Holdings, LLC, both accounted for under the equity method of accounting, with DHS owning the remaining 53% interest.

In addition, SSMHC and DHS were previously joint venture partners in several DHS subsidiaries. Prior to the acquisition, SSMHC accounted for its interest in each joint venture under the equity method of accounting.

Prior to the acquisition, SSMHC reported its investment in all of the aforementioned entities within investments in unconsolidated entities in the consolidated balance sheets.

DHS's assets include more than 60 clinics in Wisconsin; DHP, a provider-based HMO in South Central Wisconsin; Navitus; and various supporting organizations. The clinics and their approximately 500 physicians provide primary, specialty and tertiary care. DHP is a health maintenance organization serving more than 405,000 members. Navitus provides pharmacy benefit administration services to a variety of clients on a national scale, including health plans and self-funded employer groups, covering approximately 2.8 million covered lives. The primary purpose of the merger between SSMHC and DHS was to enhance the alignment of strategic initiatives, improve the delivery and efficiency of patient care, utilize the combined resources of both organizations more effectively and provide for greater financial strength.

SSMHC completed the acquisition of the outstanding stock of DHS for consideration of approximately $363.4 million.

B) Audrain Health Care, Inc. — Effective April 1, 2013, SSMHC became the sole member of Audrain Health Care, Inc. (Audrain). Audrain consists of an 88-bed acute care hospital with 40 active physicians and nurse practitioners located in Mexico, MO and ten rural health clinics in Mexico, MO and the surrounding communities. SSMHC acquired Audrain and recorded related goodwill of $6.7 million and renamed the facility SSM Audrain Health Care, Inc. This goodwill was subsequently written off at year-end.

C) Community Health Partners, Inc. d/b/a Unity Health Center — Effective June 30, 2012, SSMHC acquired the assets and liabilities of Community Health Partners, Inc. Unity Health Center, a 102-bed hospital facility with approximately 60 physicians and 550 health care professionals is located in Shawnee, OK. SSMHC acquired Unity Health

Center for $58.9 million in cash and recorded related goodwill of $21.9 million and renamed the facility St. Anthony Shawnee Hospital.

D) Shawnee Medical Center Clinic, Inc. — Effective June 17, 2012, SSMHC acquired the assets and liabilities of Shawnee Medical Center Clinic, Inc. (Clinic). The Clinic is a multispecialty medical group with 27 physicians, 13 mid-level providers and 220 employees located primarily in Shawnee, OK. SSMHC acquired the Clinic for $6.3 million and recorded related goodwill of $828,000.

2013 Operating Results. SSMHC reported consolidated operating loss of $74.3 million for 2013, which was $132.5 million lower than the $58.2 million operating income in 2012.

In 2013, operations were significantly impacted by items expected to be non-recurring, and without those items management believes that SSMHC's 2013 run-rate of income from operations was approximately break-even. The list of non-recurring items is fairly lengthy, due in part to acquisition and restructuring related activity. Most notably, SSMHC's operating loss was impacted by a provision for the settlement of a longstanding dispute with CMS principally regarding the inclusion by SSMHC's Oklahoma facility of adolescent psychiatric days in the disproportionate share formula (DSH) on the Medicare cost reports from 2004 to 2012. As CMS has ruled against SSMHC's position that such days should be included on the cost reports, SSMHC made a provision for $61.2 million for open cost report years from 2004 until 2012. The adverse CMS ruling also reduced Medicare revenues by $5.6 million in 2013. SSMHC intends to vigorously pursue this matter through available appeal processes. Additionally, SSMHC acquired Audrain Medical Center in Mexico, MO, in April, 2013. SSMHC subsequently recorded a $6.7 million loss on impairment.

Despite nonrecurring items, SSMHC's operating performance is well below recent historical norms. Management attributes much of this to challenges facing the industry, such as volumes shifting from inpatient to outpatient and other forms of care, the effects of Medicare payment reductions from sequestration, RAC audit take-backs, the inherent challenges associated with Epic patient accounting conversions, and a lack of inflationary increases from governmental payors in general.

In response to these changes in health care delivery and resultant payment challenges that SSMHC and other providers face, management has developed a 2014 budget plan that seeks to immediately improve operating performance to $111 million operating income in 2014, or to at least a 2% operating margin, consolidated.

While operating performance was challenged in 2013, the overall balance sheet strength of SSMHC grew in 2013, as compared to 2012. Total net assets grew from $1.57 billion at December 31, 2012, to $1.97 billion in 2013. This increase of approximately $400.9 million is an increase of 25.6%. Factors that contributed to this growth in net assets include:

	(Dollars in millions)
Loss from Operations	$ (74.3)
Net non-operating gains	$141.1
Change in fair value of interest rate swaps	61.5
Other	(1.6)
Excess of Revenues over Expenses	$126.7
Reduction in unfunded pension liability principally due to increasing discount rate and favorable investment earnings	268.6
Other	5.6
Total Net Assets Increase	$400.9

A) In fiscal 2013, total operating revenue increased by 14.6% ($487.4 million) to $3,815 million from $3,327 million in fiscal 2012. Growth, excluding acquisition-related activity, was $27.7 million (or $88.9 million after adding back the Oklahoma DSH settlement provision, see Pending Matters, Part V, Section G). Thus, most revenue increases pertained to acquisitions.

B) Salaries and benefits expense increased 14.0% in fiscal 2013 over fiscal 2012, or $252.2 million. This is substantially attributable to the acquisition of DHS, Audrain and Unity Health Center, which account for approximately $188.0 million of the growth. Otherwise, these expenses increased approximately $64.0 million, or 3.6%.

C) Supplies expense increased $58.2 million or 10.5% in fiscal 2013 over 2012. Approximately $53.6 million is accounted for from acquisitions.

D) Depreciation and amortization expense was $188.8 million in fiscal 2013 compared to $156.9 million in fiscal 2012, or a $31.9 million increase. Approximately $18.4 million is accounted for from acquisitions.

E) Interest expense was $46.7 million in fiscal 2013, as compared to $37.7 million in 2012. Approximately $4.3 million is attributable to acquisitions.

F) Investment income (non-operating) was $140.7 million for 2013, compared to income of $147.1 million in fiscal year 2012. The results are attributed to the strong broad-based performance for both domestic and global investments, resulting in strong returns.

G) The change in market value of interest rate swaps was $61.5 million for 2013 and $0.3 million in 2012. The market value adjustments are unrelated to operational results, and are not influenced by management activities (e.g., investment allocations, investment returns, etc.), but relate more to changes in interest rate fundamentals.

H) The consolidated excess (deficit) of revenues over expenses, which is the sum of operating income and non-operating gains and losses and change in market value of interest rate swaps, and after the provision for income taxes, was $126.7 million in fiscal 2013 compared to $206.3 million in 2012.

2012 and 2011 Operating Results. The consolidated financial statements of SSMHC for the fiscal years 2012-2011 reflect a change in operating income of $19.7 million, from an income of $58.2 million in 2012, compared to an operating income of $38.5 million in 2011.

Operating revenues and other support in 2012 increased by $322.8 million, or 10.7%, from 2011.

Operating expenses increased by $303.2 million, or 10.2%, in 2012 compared to 2011.

SSMHC's non-operating income (before change in market value of interest rate swaps), which consisted primarily of gain/losses on investments, was a $147.8 million gain in 2012 as compared to a loss of $8.6 million in 2011.

The excess (deficit) revenue over expenses at year end 2012 was $206.3 million versus a loss of ($39.4) million in 2011. This increase in performance was attributable mostly to strong investment returns in 2012 of $147.1 million and a $69.9 million unfavorable change in the fair value of interest rate swaps in 2011, that did not occur in 2012.

SSM Health Care

Consolidated Financial Statements as of and for the Years Ended December 31, 2013 and 2012, Additional Information as of and for the Years Ended December 31, 2013 and 2012, and Independent Auditors' Report

SSM HEALTH CARE

TABLE OF CONTENTS

Deloitte

Deloitte & Touche LLP
Suite 300
100 South 4th Street
St. Louis, MO 63102-1821
USA

Tel: +1 314 342 4900
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
SSM Health Care
St. Louis, Missouri

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Report on Supplementary Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information on pages 52–56 is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and is not a required part of the consolidated financial statements. This supplementary information is the responsibility of the Organization's management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits 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 consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Deloitte & Touche LLP

April 9, 2014

SSM HEALTH CARE

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2013 AND 2012
(In thousands)

	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 68,175	$ 27,580
Short-term investments	155,644	121,172
Current portion of assets limited as to use	279,369	250,495
Patient accounts receivable, less allowance for uncollectible accounts of $145,955 in 2013 and $120,927 in 2012	527,906	518,809
Premium receivable, less allowance for uncollectible accounts of $1,000 in 2013	6,665	-
Other receivables	121,657	23,568
Inventories, prepaid expenses, and other	96,022	77,447
Estimated third-party payor settlements	11,795	12,035
Total current assets	1,267,233	1,031,106
ASSETS LIMITED AS TO USE OR RESTRICTED — Excluding current portion	2,205,677	1,812,981
PROPERTY AND EQUIPMENT — Net	1,861,258	1,579,052
OTHER ASSETS:		
Deferred financing costs — net	6,373	6,753
Goodwill	127,254	31,955
Intangibles — net	311,389	68,556
Investments in unconsolidated entities	78,126	196,077
Other	10,095	5,710
Total other assets	533,237	309,051
TOTAL	$5,867,405	$4,732,190
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Revolving line of credit	$ 85,225	$ 37,225
Current portion of long-term debt	51,201	41,313
Accounts payable and accrued expenses	666,284	365,536
Notes payable	400,000	-
Unearned premiums	39,683	-
Payable under securities lending agreements	207,345	197,188
Estimated third-party payor settlements	133,404	44,524
Total current liabilities	1,583,142	685,786
LONG-TERM DEBT — Excluding current portion	1,336,895	1,279,255
ESTIMATED SELF-INSURANCE OBLIGATIONS	68,070	72,674
UNFUNDED PENSION LIABILITY	667,307	893,057
OTHER LIABILITIES	244,507	234,799
Total liabilities	3,899,921	3,165,571
NET ASSETS:		
Unrestricted:		
Noncontrolling interest in subsidiaries	20,323	19,232
SSM Health Care unrestricted net assets	1,882,118	1,487,644
Total unrestricted net assets	1,902,441	1,506,876
Temporarily restricted	42,756	40,743
Permanently restricted	22,287	19,000
Total net assets	1,967,484	1,566,619
TOTAL	$5,867,405	$4,732,190

See notes to consolidated financial statements.

SSM HEALTH CARE

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012 (In thousands)

	2013	2012
OPERATING REVENUES AND OTHER SUPPORT:		
Net patient service revenues before provision for doubtful accounts	$3,317,151	$3,218,777
Less provision for doubtful accounts	(204,694)	(157,230)
Net patient service revenues	3,112,457	3,061,547
Premiums earned	360,880	10,370
Investment income	70,311	31,167
Other revenue	265,315	220,637
Net assets released from restrictions	5,675	3,431
Total operating revenues and other support	3,814,638	3,327,152
OPERATING EXPENSES:		
Salaries and benefits	2,031,947	1,779,786
Medical claims	141,988	-
Supplies	615,335	557,111
Professional fees and other	857,457	737,534
Interest	46,686	37,683
Depreciation and amortization	188,811	156,875
Impairment loss	6,735	-
Total operating expenses	3,888,959	3,268,989
INCOME (LOSS) FROM OPERATIONS	(74,321)	58,163
NONOPERATING GAINS AND (LOSSES):		
Investment income	140,744	147,097
Loss from early extinguishment of debt	-	(1,125)
Other — net	372	1,835
Total nonoperating gains and (losses) — net	141,116	147,807
EXCESS OF REVENUES OVER EXPENSES BEFORE CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS AND INCOME TAXES	66,795	205,970
CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS	61,539	306
EXCESS OF REVENUES OVER EXPENSES BEFORE INCOME TAXES	128,334	206,276
INCOME TAXES	1,672	-
EXCESS OF REVENUES OVER EXPENSES	126,662	206,276

(Continued)

SSM HEALTH CARE

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012 (In thousands)

	2013	2012
UNRESTRICTED NET ASSETS:		
Excess of revenues over expenses	$ 126,662	$ 206,276
Gains (losses) on investments — net	(1,610)	595
Pension-related changes other than net periodic pension cost	268,606	22,969
Net assets released from restrictions for property acquisitions	3,909	2,261
Other — net	(2,002)	2,561
Increase in unrestricted net assets	395,565	234,662
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions for charity care and other programs	7,930	9,324
Gains on investments — net	3,454	3,028
Net assets released from restrictions for operations	(5,675)	(3,431)
Net assets released from restrictions for property acquisitions	(3,909)	(2,261)
Other — net	213	(7)
Increase in temporarily restricted net assets	2,013	6,653
PERMANENTLY RESTRICTED NET ASSETS:		
Contributions for charity care and other programs	343	916
Gains on investments — net	1,120	534
Other — net	1,824	-
Increase in permanently restricted net assets	3,287	1,450
CHANGE IN NET ASSETS	400,865	242,765
NET ASSETS — Beginning of year	1,566,619	1,323,854
NET ASSETS — End of year	$ 1,967,484	$ 1,566,619

See notes to consolidated financial statements.

(Concluded)

SSM HEALTH CARE

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 400,865	$ 242,765
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Pension-related changes other than net periodic pension cost	(268,606)	(22,969)
Depreciation and amortization	188,927	157,283
Loss on early extinguishment of debt	-	1,125
Impairment loss	6,735	-
Provision for doubtful accounts and bad debts	204,872	158,016
Contributions restricted for long-term investment	(1,843)	(4,403)
Distributions (contributions) to/from noncontrolling owners — net	3,608	(3,239)
Gains and losses on investments — net	(178,672)	(139,598)
Equity in earnings of unconsolidated entities	(19,979)	(7,919)
Change in valuation of investments in unconsolidated entities	123	(114)
Change in market value of interest rate swaps	(61,539)	(306)
Gain on disposal of assets	253	(336)
Changes in assets and liabilities:		
Short-term investments	(30,257)	(9,534)
Patient accounts receivable	(154,911)	(236,751)
Other receivables, inventories, prepaid expenses, and other	(6,668)	(3,275)
Accounts payable, accrued expenses, and other liabilities	10,565	42,128
Estimated self-insurance obligations	(13,270)	(4,427)
Net cash provided by operating activities	80,203	168,446
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(169,967)	(243,138)
Proceeds from disposal of property and equipment	291	195
Purchase of assets limited as to use or restricted	(2,231,523)	(2,974,997)
Proceeds from sales of assets limited as to use or restricted	2,202,781	3,057,107
Contributions to unconsolidated entities	(4,962)	(10,505)
Distributions from unconsolidated entities	10,301	11,226
Acquisition of hospitals and health care entities — net of cash received	(153,412)	(66,004)
Purchases of other assets	(44,757)	(36,572)
Proceeds from sales of other assets	11,133	(12,325)
Net cash used in investing activities	(380,115)	(275,013)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	-	283,265
Payments on long-term debt	(45,222)	(213,281)
Debt issuance costs	(76)	(573)
Restricted contributions	1,843	4,403
Contributions from noncontrolling owners	10	7,205
Distributions to noncontrolling owners	(3,618)	(3,966)
Proceeds from notes payable	400,000	-
Proceeds from revolving line-of-credit	50,000	37,225
Payments on revolving line-of-credit	(62,430)	-
Net cash provided by financing activities	340,507	114,278
NET INCREASE IN CASH AND CASH EQUIVALENTS	40,595	7,711
CASH AND CASH EQUIVALENTS — Beginning of year	27,580	19,869
CASH AND CASH EQUIVALENTS — End of year	$ 68,175	$ 27,580

See notes to consolidated financial statements.

1. ORGANIZATION

SSM Health Care (SSMHC) is a multi-institutional health care system comprised of SSM Health Care Corporation (SSMHCC) as the principal not-for-profit corporation which holds membership or stock ownership in other affiliated corporations. SSMHCC has been established as the parent corporation. Through its affiliated corporations, SSMHC owns and operates 18 acute care hospitals, one children's hospital, two long-term care facilities, an extensive network of physician practice operations, and other health care businesses located primarily in Missouri, Oklahoma, Wisconsin, and Illinois. SSMHC also has exclusive affiliation agreements with certain acute care hospitals. SSMHCC and most of its affiliated subsidiary corporations are organizations described in Section 501(c)(3) of the Internal Revenue Code (IRC). As such, they are exempt from federal income tax on income from activities related to their exempt purposes under IRC Section 501(a).

On April 16, 2013, SSMHC and Dean Health Systems, Inc. (DHS) entered into a merger agreement whereby DHS would become a wholly owned subsidiary of SSMHC. The merger was finalized on September 1, 2013. DHS includes a large multi-specialty physician group; Dean Health Plan (DHP), a health maintenance organization; Navitus Health Solutions, LLC (Navitus), a national pharmacy benefit management company; and various subsidiary organizations. DHS is a taxable corporation under the IRC. See Note 11 for further discussion of the impact of this merger agreement and other merger/ acquisition activity.

Prior to November 15, 2013, SSMHC was sponsored by the Franciscan Sisters of Mary (FSM). As of November 15, 2013, with Vatican approval, FSM transitioned sponsorship of SSMHC to SSM Health Ministries. SSM Health Ministries is an independent 6-member body comprised of three Franciscan Sisters of Mary and three lay people who collectively hold certain reserved powers over SSMHC.

2. SSMHCC SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation — The consolidated financial statements include the accounts of SSMHCC and all wholly owned, majority owned, and controlled entities, including the consolidated statements of SSMHC Liability Trust I and SSMHC Liability Trust II as described in Note 14. Operating consolidated results of DHS are included for the period September 1, 2013 through December 31, 2013 as further described in Note 11. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents — Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less when purchased.

Short-Term Investments — Short-term investments are measured at fair value and include liquid investments maintained for near-term cash flow purposes.

Financial Instruments — The carrying amounts of cash equivalents and unsettled investment transactions approximate fair value. Management's estimates of the fair value of other financial instruments are described elsewhere in the notes to the consolidated financial statements. Investments reported as assets that are designated as limited as to use or restricted, short-term investments, and interest rate swaps are measured at fair value as described in Note 7. Long-term debt fair value is disclosed in Note 12. Due to the volatility of the U.S. economy and the financial markets, there is uncertainty regarding the long-term impact market conditions will have on SSMHC's investment portfolio.

Patient Accounts Receivable — Patient accounts receivable are stated at estimated net realizable amounts from patients, third-party payors, and other insurers for services provided. Management periodically reviews the adequacy of the allowance for uncollectible accounts based on historical experience, trends in health care coverage, and other collection indicators. Reserves for charity and uncollectible amounts have been established and are netted against patient accounts receivable in the consolidated balance sheets.

SSMHC's mission is to provide exceptional health care services to all persons regardless of their ability to pay. After all payments, discounts and reasonable collection efforts have been exhausted, SSMHC follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by SSMHC. Accounts placed with collection agencies are written off and excluded from patient accounts receivable and allowance for doubtful accounts.

Premiums Receivable and Unearned Premiums — Premiums are recognized in the period for which services are covered. Premiums receivable include amounts due from subscriber groups for premiums. Premiums billed and due in advance of a coverage period are included in unearned premiums.

Inventories — Inventories are stated at the lower of cost or market. Cost is determined principally using the first-in, first-out method. Supplies and pharmaceuticals are expensed when they are distributed for use. SSMHC held inventories in the amount of $62,189 and $52,280 at December 31, 2013 and 2012, respectively. These amounts are included in inventories, prepaid expenses, and other.

Assets Limited as to use or Restricted — Assets limited as to use include investments and other assets set aside by the Board of Directors at their discretion for future capital improvements, medical insurance claims or for other purposes, and assets held in trust under bond indentures and self-insurance agreements. Unsettled investment transactions include receivables and payables from investment sales which have been initiated prior to the consolidated balance sheet date that are not formally settled until the following year. Assets restricted as to use include investments and other assets whose use is restricted by donors (temporarily or permanently).

Pooled Investments — SSMHC holds the majority of its investments in a pooled investment program which also includes the investments of its defined benefit plans as well as other smaller nonconsolidated entities. The earnings are allocated proportionately according to ownership percentages as defined in pooled investment agreements. The combined investments of SSMHC and its defined benefit plans account for over 99% of the pooled investments.

SSMHC has elected the fair value option for financial investments in limited partnerships and limited liability corporations made through its centralized investment program that would otherwise be recorded using either the cost or equity methods. SSMHC made this election in order to ensure that the accounting treatment of these investments was comparable between categories, regardless of the current organizational structure of the various investments.

Derivative Instruments — It is SSMHC's policy to provide sound stewardship of fiscal resources by effectively managing both the level of outstanding debt and the proportion of variable to fixed rate debt.

Accordingly, SSMHC periodically enters into derivative arrangements to manage interest rate risk related to variable rate debt.

SSMHC records derivative instruments as either an asset or liability measured at its fair value (Note 7). The estimated fair value of interest rate swap instruments has been determined using available market information and valuation methodologies, primarily discounted cash flows. This amount is reported in other noncurrent liabilities.

The net change in the fair value is recorded as a nonoperating gain or loss. The difference between the actual amount paid and the actual amount received on all interest rate swaps is accrued and recognized as an adjustment to interest expense.

Securities Lending Program — SSMHC participates in securities lending transactions with its custodian whereby SSMHC lends a portion of its investments to various brokers in exchange for collateral for the securities loaned, usually on a short-term basis. SSMHC maintains effective control of the loaned securities through its custodian during the term of the arrangement in that they may be recalled at any time. Collateral received from brokers must equal at least 100% of the original market value of the securities on loan, and is subsequently adjusted for market fluctuations. SSMHC must return to the borrower the original value of collateral received regardless of the impact of market fluctuations. The collateral is invested in a pool maintained by the custodian. Under the terms of the agreement, the borrower must return the same, or substantially the same, investments that were borrowed.

The securities on loan under this program are recorded as assets whose use is limited. The market value of collateral held for loaned securities is reported as collateral held under securities lending program which is recorded in assets whose use is limited, and an obligation is recorded in current liabilities for repayment of collateral upon settlement of the lending transaction.

Property and Equipment — Property and equipment acquisitions are recorded at cost or, if donated or impaired, at fair value at the date of receipt or impairment. Depreciation expense is determined using the straight-line method over the estimated useful life of the asset: 5 to 25 years for land improvements, 5 to 40 years for buildings, and 3 to 20 years for equipment. Equipment under capital leases is amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization expense. Interest costs incurred on borrowed funds during construction periods are capitalized as a component of the asset cost.

SSMHC periodically evaluates property and equipment to determine whether assets may have been impaired. The evaluations address the estimated recoverability of the assets' carrying value. Such analyses require various valuation techniques using management assumptions, including estimates of future cash flows. As a result, there is at least a reasonable possibility that recorded estimates of fair value and impairment will change by a material amount.

Deferred Financing Costs — Deferred financing costs are amortized using the effective interest rate method over the term of the related obligation.

Goodwill — Goodwill represents the excess of costs over the fair value of assets of businesses acquired. Goodwill acquired in business combinations is not amortized, but instead is subject to impairment tests performed at least annually. Goodwill is evaluated for possible impairment at the reporting unit level at least annually or whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Goodwill is evaluated for possible impairment by comparing the fair value of a reporting unit with its carrying value, including the goodwill assigned to that reporting unit. Fair value of a reporting unit is estimated using a combination of income-based and market-based valuation methodologies. Under the income approach, forecasted cash flows of a reporting unit are discounted to a present value using a discount rate commensurate with the risks of those cash flows. Under the market approach, the fair value of a reporting unit is estimated based on the revenues and earnings multiples based on recent transactions involving comparable entities. An impairment charge is recorded if the carrying value of the goodwill exceeds its implied fair value. The determination of a reporting unit's fair value requires management to make significant assumptions regarding estimated future cash flows and long-term growth rates. As a result, there is at least a reasonable possibility that recorded estimates of fair value and impairment will change.

Intangibles — Intangible assets include capitalized computer software costs, tradenames, non-compete agreements and other intangible assets acquired from independent parties. Intangible assets with a definite life are amortized on a straight-line basis, with estimated useful lives ranging from one to 20 years. Amortization of intangibles is included in depreciation and amortization expense. SSMHC reviews the carrying value of its amortizable intangible assets only when impairment indicators are present. SSMHC evaluates intangible assets for impairment by comparing the estimates of undiscounted future cash flows to the carrying values of the related assets. Indefinite-lived intangible assets are evaluated for possible impairment at least annually or whenever events or changes in circumstances indicate the asset might be impaired. There were no impairments identified during 2013 or 2012.

Software Costs — Capitalized computer software costs include internally developed software. Costs incurred in developing and installing internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage. Capitalized software costs and related accumulated amortization expense are included in net intangible assets.

Investments in Unconsolidated Entities — Investments in unconsolidated entities, other than limited partnerships and limited liability corporations in the pooled investment program, are accounted for under the cost or equity method of accounting, as appropriate. SSMHC utilizes the equity method of accounting for its investments in unconsolidated entities over which it exercises significant influence. SSMHC's equity income or loss on these investments is recorded as other revenue. SSMHC evaluates these investments for other-than-temporary impairment in accordance with accounting standards for equity method investments.

Unfunded Pension Liability — Unfunded pension liability represents the value of the projected benefit obligation of SSMHC's pension plans over the fair value of the plans' assets. The pension plan obligations and plan assets are measured as of December 31. In 2013, SSMHC recorded $268,606 to decrease other liabilities and increase unrestricted net assets due to recognition of the change in the underfunded status of the plan. The gain was a result of higher discount rates as well as strong investment returns. In 2012, SSMHC recorded $22,969 to decrease other liabilities and increase unrestricted net assets due to recognition of the change in the underfunded status of the plan. The gain was a result of plan amendments as described in Note 13 offset by the impact of the declining discount rate.

Other Liabilities — Other liabilities include various deferred compensation plans, the fair value of interest rate swaps and various other noncurrent liabilities.

Temporarily and Permanently Restricted Net Assets — Temporarily restricted net assets are those whose use by SSMHC has been limited by donors to a specific time period or purpose. These assets are restricted for funding a specific program, capital projects, and other purposes. Permanently restricted net assets have been restricted by donors to be maintained by SSMHC in perpetuity. They are generally restricted to provide ongoing income for a specific program.

Noncontrolling Interests — The consolidated financial statements include all assets, liabilities, revenue and expenses of less than 100% owned or controlled entities SSMHC controls in accordance with applicable accounting guidance. Accordingly, SSMHC has reflected a noncontrolling interest for the portion of net assets not owned or controlled by SSMHC separately on the consolidated balance sheets.

Net Patient Service Revenues — SSMHC recognizes net patient service revenue before provision for bad debt in the period in which services are provided. SSMHC has agreements with payors that provide for payments at amounts different from established charges. The basis for payment under these agreements includes prospectively determined rates, cost reimbursement, and negotiated discounts from established charges.

Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments due to future audits, reviews, and investigations. The differences between the estimated and actual adjustments are recorded as part of net patient service revenues in future periods, as the amounts become known, or as years are no longer subject to such audits, reviews, and investigations.

Premiums Earned — SSMHC receives capitation insurance premiums based on the demographic characteristics of covered members in exchange for providing comprehensive medical services for those members. SSMHC recorded capitated revenues of $360,880 and $10,370 for the years ended December 31, 2013 and 2012, respectively. Capitation revenues are included in premium revenues.

Effective January 1, 2011, SSMHC and Dean Health Systems, Inc. entered into a risk sharing arrangement for certain health care services provided to members of Dean Health Insurance, Inc. (DHI) and Dean Health Plan, Inc. (DHP). Under the risk sharing arrangement, a percentage of the DHI and DHP premiums are paid into various pools for which SSMHC assumes a portion of the risk. Payments are made from the pools for certain covered services. SSMHC receives disbursements from the pools for their share of the accumulated surplus or pays into the pools for their share of the accumulated deficit. Total payments received during the eight month period ended August 31, 2013 and the year ended December 31, 2012 for services, net of accumulated deficits, were $105,693 and $133,612, respectively, which are included within net patient service revenues. Payments received subsequent to August 31, 2013 were eliminated on consolidation.

Medical Claims — Medical claims consist of payments to health care providers and are accrued as of the date of service and reported net of recoveries of $5,294 for the period from September 1, 2013 to December 31, 2013. Recoveries consist mainly of drug company volume discounts, Centers for Medicare and Medicaid Services (CMS) risk-sharing, and subsidies and reinsurance.

Changes in estimates of claims costs resulting from an ongoing review process and differences between estimates and payments for claims are recognized in the period in which the estimates are changed or payments are made. The liability for unpaid medical claims for medical services purchased, which is included in accounts payable, is based on known amounts of reported claims and an estimate of incurred but not reported claims using past experience adjusted for current trends.

Investment Income — Most investment income is reported as nonoperating gains or losses. Investment income on funds held in trust for self-insurance purposes, funds held for insurance and pharmacy benefit purposes, and unrestricted funds held by foundations is included in other operating revenue. The cost of investments sold is based on the specific-identification method.

Investment income on investments of donor-restricted funds, other than endowments, is included in excess of revenues over expenses unless the income or loss is restricted by donors. Investment income that is restricted by the donor is recorded directly to temporarily or permanently restricted net assets, in accordance with the donor-imposed restrictions.

SSMHC values hedge funds, real estate investments, and partnership interests at fair value. Gains and losses on these investments are included in nonoperating investment income unless it is restricted by donors.

SSMHC classifies its debt and equity securities as trading securities. Changes in the fair values of trading securities are recorded in the excess of revenues over expenses.

The change in unrealized gains and losses on investments recorded as a change in unrestricted net assets includes the unrealized gains or losses related to investments available for sale at equity method investees.

SSMHC reports investment income net of investment fees paid. Investment fees totaled $10,603 and $10,464 for the years ended December 31, 2013 and 2012, respectively.

Contributions — Contributions, including unconditional promises to give, are recognized at their fair value at the time of receipt. For financial reporting purposes, SSMHC distinguishes between contributions that are unrestricted, temporarily restricted, or permanently restricted based on the restrictions placed on their use by the donors. Contributions restricted for additions to property and equipment are recorded as temporarily restricted assets. When the restrictions have been met, these temporarily restricted contributions are recorded as net assets released from restrictions for property acquisitions. Contributions temporarily restricted for other purposes are reported as temporarily restricted contributions if the restrictions are not met in the same reporting period. When such donor-imposed restrictions are met in subsequent reporting periods, they are reported as net assets released from restrictions and an increase to unrestricted net assets. Contributions of assets that donors have stipulated must be maintained permanently, with only the income earned thereon available for use, are classified as permanently restricted assets. Contributions for which donors have not stipulated restrictions are reported as other revenue.

Endowment assets include donor-restricted funds that SSMHC must hold in perpetuity or for a donor-specified period. SSMHC preserves the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. SSMHC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and, if applicable, (c) accumulations to the permanent endowment made in accordance with specific donor instructions. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the SSMHC entity that received the donation. SSMHC considers the following factors in making determinations to appropriate or accumulate donor-restricted endowment funds:

a. State law

b. The duration and preservation of the fund

c. The purposes of the donor-restricted endowment funds and how they relate to SSMHC's priorities for carrying out its mission within the communities it serves

d. General economic conditions

e. The possible effects of inflation and deflation

f. The expected total return from income and the appreciation of investments

g. Other resources available to the entity and its beneficiary, if applicable

h. The investment policies of the entity

Electronic Health Record Incentives — Under certain provisions of the American Recovery and Reinvestment Act of 2009 (ARRA), federal incentive payments are available to hospitals, physicians and certain other professionals (Providers) when they adopt, implement or upgrade (AIU) certified electronic health record (EHR) technology or become "meaningful users," as defined under ARRA, of EHR technology in ways that demonstrate improved quality, safety and effectiveness of care. Providers can become eligible for annual Medicare incentive payments by demonstrating meaningful use of EHR technology in each period over four periods. Medicaid providers can receive their initial incentive payment by satisfying AIU criteria, but must demonstrate meaningful use of EHR technology in subsequent years in order to qualify for additional payments. Hospitals may be eligible for both Medicare and Medicaid EHR incentive payments; however, physicians and other professionals may be eligible for either Medicare or Medicaid incentive payments, but not both. Hospitals that are meaningful users under the Medicare EHR incentive payment program are deemed meaningful users under the Medicaid EHR incentive payment program and do not need to meet additional criteria imposed by a state. Medicaid EHR incentive payments to Providers are 100% federally funded and administered by the states. The Centers for Medicare and Medicaid Services (CMS) established calendar year 2011 as the first year states could offer EHR incentive payments. Before a state may offer EHR incentive payments, the state must submit and CMS must approve the state's incentive plan.

SSMHC recognizes Medicaid EHR incentive payments in its consolidated statements of operations for the first payment year when (1) CMS approves a state's EHR incentive plan; and (2) its hospital or employed physician acquires certified EHR. Medicare and Medicaid EHR incentive payments for subsequent payment years are recognized in the period during which the specified meaningful use criteria are met. SSMHC recognizes Medicare EHR incentive when (1) the specified meaningful use criteria are met; and (2) contingencies in estimating the amount of the incentive payments to be received are resolved. During the years ended December 31, 2013 and 2012, certain of SSMHC's entities satisfied the CMS AIU and/or meaningful use criteria. As a result, SSMHC recognized approximately $3,799 and $3,528 of Medicaid EHR incentive payments as other revenue for the years ended December 31, 2013 and 2012, respectively. SSMHC's entities recognized $13,408 and $20,846 of Medicare EHR incentive payments as other revenue for the years ended December 31, 2013 and 2012, respectively.

Performance Indicator — The consolidated statements of operations and changes in net assets include excess of revenues over expenses as SSMHC's performance indicator. Changes in unrestricted net assets that are excluded from excess of revenues over expenses, consistent with industry practice, include: changes in unrealized gains and losses on investments related to available for sale investments held by equity investees; permanent transfers of assets to and from affiliates for other than goods and services; contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for the purpose of acquiring such assets); and pension related changes other than net periodic pension cost.

Consolidated Statements of Operations — For purpose of display, transactions deemed by management to be ongoing, major, or central to the provision of health care and related services are reported as operating revenue and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

Advertising Costs — SSMHC expenses advertising costs as they are incurred. Advertising expenses were $13,110 and $10,749 for the years ended December 31, 2013 and 2012, respectively, and are included in professional fees and other.

Income Taxes — SSMHC has established its status as an organization exempt from income taxes under IRC Section 501(c)(3) and the laws of the states in which it operates, and as such, is generally not subject to federal or state income taxes. However, SSMHC is subject to income taxes on net income derived from a trade or business, regularly carried on, which does not further the organization's exempt purpose. SSMHC is also subject to income tax on debt-financed investment income derived from various investments. No significant income tax provisions have been recorded in the financial statements for net income, if any, derived from any unrelated business or investment income as management has determined that such amounts are not material to the consolidated financial statements taken as a whole.

SSMHC's for-profit subsidiaries account for income taxes related to their operations. The for-profit subsidiaries recognize deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of their assets and liabilities along with net operating losses that meet the more likely than not recognition criteria. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Penalties and interest incurred on income tax liabilities are included in income tax expense.

SSMHC evaluates its uncertain tax positions on an annual basis. A tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. There have been no uncertain tax positions recorded in 2013 or 2012.

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

Non-Cash Transactions — During the years ended December 31, 2013 and 2012, SSMHC had the following non-cash transactions:

	2013	**2012**
Collateral received under securities lending program	$ 10,157	$ 22,300
Property and equipment purchases included in accounts payable	12,367	19,618
Acquisition of health care entities included in accounts payable	4,762	-
Investment in unconsolidated entities included in long-term debt	-	8,648
Acquisition of hospital and health care entities	42,690	-

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* (ASU 2013-04). ASU 2013-04 requires SSMHC to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date as the sum of the amount SSMHC agreed to pay on the basis of its arrangement amount the co-obligors and any additional amount that SSMHC expects to pay on behalf of its co-obligors. ASU 2013-04 is effective for SSMHC as of January 1, 2014, and is not expected to have a material impact on SSMHC's consolidated financial statements.

In January 2013, the FASB issued ASU No. 2013-01, *Balance Sheet (Topic 210), Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*, (ASU 2013-01) to address implementation issues about the scope of ASU 2011-11 (*Balance Sheet (Topic 210), Disclosures about Offsetting Assets and Liabilities.*) The amendments clarify the scope applies to certain derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset or subject to an enforceable master netting arrangement or similar agreement. The adoption of ASU 2013-01 was effective for fiscal years beginning on or after January 1, 2013 and resulted in additional disclosures at Note 17.

In October 2012, FASB issued ASU No. 2012-05, *Statement of Cash Flows (Topic230), Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows* (ASU 2012-05) to address diversity in practice about how to classify cash receipts arising from the sale of certain donated financial assets, such as securities, in the statement of cash flows of not-for-profit entities. The adoption of ASU 2012-05 was effective prospectively for SSMHC as of January 1, 2013 and did not have a material impact on SSMHC's consolidated financial statements.

In July 2012, the FASB issued ASU 2012-02, *Intangibles – Goodwill and Other (Topic 350), Testing Indefinite-Lived Intangible Assets for Impairment,* (ASU 2012-02) which permits an entity to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test as described in Topic 350. The adoption of ASU 2012-02 was effective for SSMHC as of January 1, 2013, and did not have a material impact on SSMHC's consolidated financial statements.

In July 2011, FASB issued ASU No. 2011-06, *Other Expenses (Topic 720), Fees Paid to the Federal Government by Health Insurers* (ASU 2011-06) which provides guidance regarding how health insurers should recognize and classify fees mandated by the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, Health Insurance Reform Legislation). The Health Insurance Reform Legislation imposes a nondeductible annual fee on health insurers for each calendar year beginning on January 1, 2014. ASU 2011-06 requires that the liability for the fee should be estimated and recorded in full once SSMHC provides qualifying insurance coverage in the applicable calendar year in which the fee is payable, with a corresponding deferred cost that is amortized to expense over the calendar year. ASU 2011-06 is effective for SSMHC as of January 1, 2014.

Change in Presentation — Effective January 1, 2013, SSMHC reclassified net software acquisition costs to intangibles on the consolidated balance sheets. This change did not have a material impact on SSMHC's consolidated financial statements other than the reclassification of net software costs totaling $51,515 from plant and equipment – net to intangibles – net for the year ended December 31, 2012.

Effective September 1, 2013, SSMHC reported premiums earned in the consolidated statement of operations and changes in net assets. This change did not have a material impact on SSMHC's consolidated financial statements other than the reclassification of premiums earned totaling $10,370 from net patient service revenue to premiums earned for the year ended December 31, 2012.

3. UNCOMPENSATED CARE

In line with its mission, SSMHC provides services to patients without regard to their ability to pay for those services. For some of its patient services, SSMHC receives no payment or payment that is less than the full cost of providing the services.

SSMHC voluntarily provides free care to patients who are unable to pay for all or part of their health care expenses as determined by SSMHC's criteria for financial assistance. Because SSMHC does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenues.

In some cases, SSMHC does not receive the amount billed for patient services even though it did not receive information necessary to determine if the patients met the criteria for financial assistance.

The estimated cost of charity care and the cost of doubtful accounts are as follows. The estimated costs are calculated using the costs of providing patient care divided by gross patient service revenue. This ratio is then multiplied by the gross charity and doubtful charges to determine estimated costs.

	2013	2012
Cost of charity care	$92,871	$95,484
Cost of doubtful accounts	86,340	69,954

SSMHC also commits significant time and resources to activities and critical services that address unmet community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include health screenings and assessments, prenatal education and care, hospice, support for residences for homeless persons, trauma care, community health education and various support groups.

4. NET PATIENT SERVICE REVENUES

A significant portion of SSMHC's revenue is generated under agreements with Medicare and Medicaid. Payments for services covered by Medicare are based on federal regulations specific to the type of service provided. Medicare pays for most services at a prospective rate. Hospital facilities that meet certain requirements receive additional funds in partial payment for the cost of medical education and caring for the indigent. The rates for services covered by Medicaid are determined by the regulations of the state in which the beneficiary is a resident. Medicare and Medicaid regulations are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount.

SSMHC has an estimation process for recording Medicare net patient service revenue and estimated cost report settlements. Accruals are recorded to reflect the expected final cost report settlements. Accruals are based upon filed cost reports or an estimate of what is expected to be reported on cost reports not yet filed.

In addition, SSMHC has negotiated contracts with certain other third-party payors. Revenues under these contracts are based primarily on payment terms involving predetermined rates per diagnosis, per-diem rates, discounted fee-for-service rates and other similar contractual arrangements. SSMHC estimates the discounts for contractual allowances at the individual hospital level utilizing billing data on an individual patient basis. On a monthly basis, an estimate is made of the expected reimbursement for patients of managed care plans based on the applicable contract terms.

SSMHC provides discounts on charges for hospital services to all patients without insurance and who do not receive their health care services under Medicare, Medicaid or a public aid program. The discount varies by geographical location, primarily based on the discounts negotiated with SSMHC private third-party payors in that location. The total discounts provided to uninsured patients under this policy were $214,638 and $205,362 for the years ended December 31, 2013 and 2012, respectively, and are included as a reduction in net patient service revenues. If it is determined that an uninsured patient is eligible for a charity discount for hospital services, the charity discount will be taken after the discount for uninsured patients has been applied.

SSMHC participates in assessment programs in the four states in which it operates. For the year ended December 31, 2013, SSMHC recognized $187,907 in revenue and $137,466 in expenses relating to these programs. For the year ended December 31, 2012, SSMHC recognized $191,375 in revenue and $136,319 in expenses relating to these programs. The revenue is included in net patient service revenues and the expenses are included in professional fees and other expenses.

The table below shows the sources of net patient service revenue before provision for bad debt:

	2013	2012
Medicare	$ 895,907	$ 907,218
Medicaid	446,431	479,091
Managed Care	1,561,920	1,501,064
Other	412,893	331,404
Net patient service revenue before provision for bad debt	$3,317,151	$3,218,777

A summary of SSMHC's Medicare, Medicaid and managed care utilization percentages, based upon gross patient service revenues was as follows:

	2013	2012
Medicare	34 %	33 %
Medicaid	12	12
Managed Care	42	45
Other	12	10
	100 %	100 %

In 2013 and 2012, net patient service revenues (decreased) increased by ($66,806) and $32,466, respectively, relating to changes in estimates for prior years' settlements from Medicare, Medicaid and other programs. Of the 2013 decrease, $61,244 was based upon an adverse ruling rendered by CMS. During a periodic cost report audit performed by the Medicare intermediary in Oklahoma, the intermediary identified potential issues with the calculation of the disproportionate share hospital (DSH) payments paid to SSMHC's Oklahoma facility. The specific issue identified was whether the care furnished for children and adolescents in an adolescent psychiatric program at SSMHC's Oklahoma facility is similar in acuity to services that are usually paid for under Medicare's inpatient hospital prospective payment system. As of December 31, 2013, CMS rendered a ruling for full repayment of the DSH payments received and recognized as revenue attributable to the adolescent psychiatric program for the year ended December 31, 2006. Management anticipates that this ruling will be applied to the remainder of the period 2004 – 2013. As a result, SSMHC has recorded a liability for full repayment for this period, of which $61,244 related to prior years. In 2012, net patient service revenues increased by

$24,236 in settlement of an appeal with CMS related to underpayments that occurred between 1998 and 2011 as a result of errors in the Medicare inpatient wage index calculation.

5. CONCENTRATION OF CREDIT RISK

SSMHC provides health care services through its inpatient and outpatient care facilities located in their respective communities. SSMHC attempts to collect amounts due from patients, including co-payments and deductibles for patients with insurance, at the time of service while complying with all federal and state laws and regulations, including the Emergency Medical Treatment and Active Labor Act (EMTALA). Generally, as required by EMTALA, patients may not be denied emergency treatment due to the inability to pay. In non-emergency circumstances or for elective procedures, SSMHC's policy is to verify insurance prior to treatment; however, exceptions can occur. SSMHC generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans or policies (e.g., Medicare, Medicaid, health maintenance organizations, and commercial insurance policies).

SSMHC records an allowance for uncollectible accounts by establishing an allowance to reduce the carrying value of receivables to their estimated net realizable value. This allowance is calculated on an individual hospital basis and is based upon the aging of accounts receivable by payor class, historical collection experience and other relevant factors. SSMHC has not changed its charity care, allowance for uncollectible accounts or uninsured discount policies during the years ended December 31, 2013 and 2012. The allowance for uncollectible accounts increased $25,028 from $120,927 at December 31, 2012 to $145,955 at December 31, 2013. Of this increase, $4,524 was attributable to the acquisition of DHS entities. The remainder of the increase was primarily due to increased volumes of self-pay patients as well as co-payments and deductibles for patients with insurance.

The mix of net receivables from patients and third-party payors as of December 31, 2013 and 2012, was as follows:

	2013	2012
Medicare	22 %	26 %
Medicaid	11	15
Managed Care	40	43
Other	27	16
	100 %	100 %

Cash Concentrations — SSMHC has cash and cash equivalents deposited in financial institutions in which the balances exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of $250. No losses have been incurred to date, and management believes SSMHC is not exposed to any significant credit risk.

6. ASSETS LIMITED AS TO USE OR RESTRICTED

The SSMHC Board of Directors has designated the accumulation of certain funds for future replacement of property and equipment, other capital improvements, debt retirement, medical insurance claims, and other purposes. Additionally, under the terms of the indentures for various bond issues, funds held by trustees have been established and legally designated for debt service.

A summary of assets limited as to use or restricted as of December 31, 2013 and 2012, is as follows:

	2013	2012
Assets limited as to use:		
Board designated for property and equipment, long-term employee benefit programs, and other	$1,981,683	$1,610,955
Reserves in regulated insurance company	19,802	-
Held by trustee:		
Bond funds	5,995	4,254
Self-insurance (Note 14)	175,176	191,336
Funds held in escrow (Note 11)	30,002	-
Collateral held under securities lending agreements	207,345	197,188
	418,518	392,778
Assets restricted by donor as to use:		
Temporarily restricted	42,756	40,743
Permanently restricted	22,287	19,000
	65,043	59,743
Total assets limited as to use or restricted	2,485,046	2,063,476
Less current portion	279,369	250,495
Noncurrent portion	$2,205,677	$1,812,981

Assets limited as to use or restricted comprise the following asset classifications which include securities on loan:

	2013	2012
Cash and cash equivalents	$ 232,790	$ 55,790
Corporate obligations	273,146	279,549
Government securities	243,330	199,026
Mutual funds:		
Domestic	424,125	366,088
International	230,510	184,166
Fixed income	15,833	
Emerging markets	57,249	61,538
Equities:		
Small cap	26,833	29,700
Mid cap	91,603	69,358
Large cap	253,885	223,440
Partnership interests	77,250	79,813
Hedge funds	188,995	177,050
Real estate investments	130,049	118,584
Unsettled investment transactions (at cost)	3,806	(3,330)
Guaranteed fixed funds	5,537	4,502
Pooled separate accounts	3,959	2,998
Securities lending:		
Equities	92,997	39,979
Government securities	100,059	136,111
Corporate obligations	14,289	21,098
Other (at cost)	18,801	18,016
Total	$2,485,046	$2,063,476

A summary of investment income for the years ended December 31, 2013 and 2012, is as follows:

	2013	2012
Interest and dividends	$ 35,347	$ 42,823
Realized and unrealized gains on investments — net	144,342	139,598
Unrealized gains on pre-existing interest in acquired entities	23,571	-
Realized gains on cost basis investments	10,759	-
Total	$214,019	$182,421

Investment income (loss) is reported as follows:

	2013	2012
Operating investment income	$ 70,311	$ 31,167
Nonoperating investment income	140,744	147,097
Gains (losses) on investments — net — unrestricted net assets	(1,610)	595
Gains on investments — net — temporarily restricted net assets	3,454	3,028
Gains on investments — net — permanently restricted net assets	1,120	534
Total	$ 214,019	$ 182,421

The collateral held for the securities loaned and related payable of equal value at December 31, 2013 and 2012, were $207,345 and $197,188, respectively.

The securities on loan are included in the following classifications:

	2013	2012
Equity securities	$ 91,238	$ 39,700
Government securities	97,955	133,306
Corporate obligations	13,970	20,704
Total	$ 203,163	$ 193,710

SSMHC recorded net investment income of $571 and $1,225 on these transactions for the years ended December 31, 2013 and 2012, respectively. Net investment income represents the amount received as investment income on the securities received as collateral, offset by the fees paid to the various brokers and the investment earnings on the securities loaned to the brokers.

7. FAIR VALUE MEASUREMENTS

SSMHC defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including SSMHC's own credit risk.

The fair values of all assets and liabilities recognized or disclosed at fair value are classified based on the lowest level significant inputs. SSMHC used the following methods to determine fair value:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that SSMHC has the ability to access on the report date.

Level 2 — Inputs (financial matrices, models, valuation techniques) other than quoted market prices included in Level 1, that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Such observable inputs include benchmarking prices for similar assets in active, liquid markets, quoted prices in markets that are not active and observable yields and spreads in the market. SSMHC's Level 2 assets and liabilities include investment securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose values are determined using market standard valuation techniques. This category primarily includes corporate obligations and government securities, among others. Level 2 valuations are generally obtained from third party pricing services for identical or comparable assets or liabilities. Prices from services are validated through analytical reviews and assessment of current market activity. Interest rate swaps are valued using discounted future cash flows.

Level 3 — Inputs (such as professional appraisals, quoted prices from inactive markets that require adjustment based on significant assumptions or data that is not current, data from independent sources) that are unobservable for the asset or liability. SSMHC holds investments in real estate funds, hedge funds, and partnership interests. The real estate funds invest in real estate investment trusts and commercial real estate, diversified by geographical location and use. The hedge funds invest in funds that hold various types of debt and equity securities.

For the years ended December 31, 2013 and 2012, a majority of the hedge funds, real estate investments, and partnership interests are recorded at the net asset value (NAV), which is the estimated fair value of the investments.

Following is a summary of assets and liabilities measured at fair value on a recurring basis by the level of significant input:

2013	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents — restricted	$ 232,790	$ -	$ -	$ 232,790
Corporate obligations	-	273,146	-	273,146
Government securities	-	243,330	-	243,330
Mutual funds:				
Domestic	579,769	-	-	579,769
International	152,181	78,329	-	230,510
Fixed income	15,833	-	-	15,833
Emerging markets	57,249	-	-	57,249
Equities:				
Small cap	26,833	-	-	26,833
Mid cap	91,603	-	-	91,603
Large cap	253,885	-	-	253,885
Partnership interests	57,998	-	19,252	77,250
Hedge funds	-	-	188,995	188,995
Real estate investments	-	-	130,049	130,049
Guaranteed fixed funds	-	5,537	-	5,537
Pooled separate accounts	-	3,959	-	3,959
Securities lending:				
Equity securities	92,997	-	-	92,997
Government securities	-	100,059	-	100,059
Corporate obligations	-	14,289	-	14,289
Total assets	$1,561,138	$718,649	$338,296	$2,618,083
Liabilities — interest rate swaps	$ -	$ 88,019	$ -	$ 88,019

2012	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents — restricted	$ 55,790	$ -	$ -	$ 55,790
Corporate obligations	-	279,549	-	279,549
Government securities	-	199,026	-	199,026
Mutual funds:				
Domestic	487,260	-	-	487,260
International	113,046	71,120	-	184,166
Emerging markets	61,538	-	-	61,538
Equities:				
Small cap	29,700	-	-	29,700
Mid cap	69,358	-	-	69,358
Large cap	223,440	-	-	223,440
Partnership interests	61,564	-	18,249	79,813
Hedge funds	-	-	177,050	177,050
Real estate investments	-	-	118,584	118,584
Guaranteed fixed funds	-	4,502	-	4,502
Pooled separate accounts	-	2,998	-	2,998
Securities lending:				
Equity securities	39,979	-	-	39,979
Government securities	-	136,111	-	136,111
Corporate obligations	-	21,098	-	21,098
Total assets	$ 1,141,675	$ 714,404	$ 313,883	$ 2,169,962
Liabilities — interest rate swaps	$ -	$ 135,152	$ -	$ 135,152

It is SSMHC's policy that transfers between levels will occur when revised information regarding the lowest level of significant inputs becomes available. There were no transfers between levels during 2013 or 2012.

Changes related to the fair values based on Level 3 inputs for the years ended December 31, 2013 and 2012, are summarized as follows:

	2013	2012
Assets:		
Beginning balance	$ 313,883	$ 332,810
Total gains	25,326	16,011
Purchases	441,389	15,696
Sales	(442,302)	(50,634)
Ending balance	$ 338,296	$ 313,883

Unrealized gains on Level 3 investments were $2,439 and $15,249 for 2013 and 2012, respectively, and are recorded as nonoperating investment income.

The hedge funds, real estate investments, and partnership interests are redeemable at NAV under the original terms of the agreements. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of SSMHC's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if SSMHC were to sell these investments in the secondary market a buyer may require a discount to the reported net asset value, and the discount could be significant. As such, SSMHC has classified these as Level 3 investments. In addition, the unfunded commitments to these funds are $5,823 and $8,830 at December 31, 2013 and 2012, respectively. Assets recorded at NAV at December 31, 2013, are as follows:

December 31, 2013	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period**
Hedge funds (a)	$ 188,995	$ -	Quarterly	30–100 days
Partnership interests (b)	19,252	-	Quarterly	30–100 days
Real estate investments (c)	130,049	5,823		
Total	$ 338,296	$ 5,823		

December 31, 2012	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period**
Hedge funds (a)	$ 177,050	$ -	Quarterly	30–100 days
Partnership interests (b)	18,249	-	Quarterly	30–100 days
Real estate investments (c)	118,584	8,830		
Total	$ 313,883	$ 8,830		

(a) This category includes investments in hedge funds that maintain positions both long and short in equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques, and the managers can maintain net long or net short exposure levels based on market views. The strategy designs a diversified portfolio of managers and strategies with the objective of significantly lowering the risk and volatility of investing with an individual manager.

(b) This category includes investments in a limited partnership interest that invests in multiple long-short, market-neutral equity hedge fund managers. The investment is designed to achieve consistent market returns across all market cycles and mitigate market directional portfolio risk through maintaining low net exposure.

(c) This category includes investments in real estate funds that invest in the following: underperforming and distressed real estate assets at well below potential replacement cost and which create significant value-added upside through extensive repositioning and capital improvements; distressed real estate and real estate-related debt, companies, securities, and other assets; high quality properties in major metropolitan areas; participating mortgages secured by core real estate properties. Investments in real estate are valued based upon independent appraisals using a cost approach, market approach or income approach as well as consideration of other third party evidence.

8. PROPERTY AND EQUIPMENT

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

	2013	2012
Land and improvements	$ 155,567	$ 116,761
Buildings	2,135,722	1,754,415
Equipment	1,075,423	949,157
	3,366,712	2,820,333
Less accumulated depreciation	1,663,488	1,562,734
	1,703,224	1,257,599
Real estate held for future development	9,081	9,140
Construction in process	148,953	312,313
Total	$1,861,258	$1,579,052

Operating depreciation expense for the years ended December 31, 2013 and 2012, totaled $159,493 and $123,283, respectively. Nonoperating depreciation or amortization expense for the years ended December 31, 2013 and 2012, totaled $59 and $60, respectively.

The book value of equipment under capital lease obligations at December 31, 2013 and 2012, totaled $67,592 and $66,869, respectively. The related accumulated depreciation totaled $37,444 and $32,822, respectively, at December 31, 2013 and 2012. These amounts are included in the above summary of property and equipment.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

The following table provides information on changes in the carrying amount of goodwill for the years ended December 31, 2013 and 2012:

	2013	2012
Balance — beginning of the period		
Goodwill	$ 31,955	$ 8,987
Accumulated impairment losses	-	-
	31,955	8,987
Goodwill acquired during the year	102,034	22,968
Impairment losses	(6,735)	-
	95,299	22,968
Balance — end of the period		
Goodwill	133,989	31,955
Accumulated impairment losses	(6,735)	-
	$ 127,254	$ 31,955

During the valuation of Audrain Health Care Inc., SSMHC determined that impairment indicators existed at the acquisition date. A goodwill impairment loss of $6,735 was recognized. The fair value of the entity was estimated using the net present value of future cash flows.

The following table provides information regarding other intangible assets for the years ended December 31, 2013 and 2012:

	2013		2012	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Software	$ 263,659	$ 131,884	$ 165,688	$ 114,173
Noncompete agreements	1,353	1,152	13,678	756
Tradename	119,742	3,647	2,642	727
Customer contracts	60,100	278		
Favorable leasehold interests	3,630	332	1,321	52
Certificates of need	1,277	1,169	1,277	788
Medical records	876	845	876	523
Other	113	54	113	20
Total	$ 450,750	$ 139,361	$ 185,595	$ 117,039

The weighted-average amortization period for the intangible assets subject to amortization is approximately 8.5 years. There are no expected residual values related to these intangible assets. Amortization expense on these intangible assets was $28,461 and $32,826 during the years ended December 31, 2013 and 2012, respectively.

For the year ended December 31, 2013, the total amount assigned to intangible assets due to acquisitions was $238,653, consisting of $117,100 for tradenames, $60,100 for customer contracts, $59,144 for software, and $2,309 for favorable leasehold assets. For the year ended December 31, 2012, the total amount assigned due to acquisitions was $2,172 consisting of $1,321 for favorable leasehold assets, $236 for noncompete agreements and $615 for medical records.

Estimated future amortization of intangibles with finite useful lives as of December 31, 2013 is as follows:

Years Ending December 31	
2014	$ 48,520
2015	41,530
2016	35,202
2017	30,716
2018	21,017

10. INVESTMENTS IN UNCONSOLIDATED ENTITIES

Investments in Unconsolidated Affiliates — SSMHC included the following income from operations from equity method investments in health care joint ventures for the years ended December 31, 2013 and 2012, as other revenue:

	2013	2012
Income from operations	$25,851	$17,495
Losses from operations	(5,872)	(9,576)
Net income from operations	$19,979	$ 7,919

The total carrying amount of cost-method investments was $6,967 and $15,341 at December 31, 2013 and 2012, respectively.

At December 31, 2012, SSMHC was a member owner of Premier, Inc., a national healthcare alliance. During 2013, Premier, Inc. issued an initial public offering (IPO). As a result of the IPO, Premier, Inc. acquired under a Unit Put/Call Agreement a portion of SSMHC's pre-IPO partnership units for $11,133 and SSMHC's remaining investment in Premier, Inc. was converted to common units. This transaction reduced SSMHC's investment in Premier to $1,967 at December 31, 2013, and resulted in a realized gain of $10,759 which is included in operating investment income. SSMHC has recorded its common units and membership interest as a cost method investment in unconsolidated entities with a carrying amount of $1,967 and $2,341 at December 31, 2013 and 2012, respectively.

11. BUSINESS ACQUISITIONS

SSMHC entered into the following significant acquisition activities during the years ended December 31, 2013 and 2012.

Dean Health Systems, Inc. — Effective April 16, 2013, SSMHC and DHS (a Wisconsin based company) entered into an Agreement and Plan of Merger with DHS and its subsidiaries becoming wholly owned subsidiaries of SSMHC on September 1, 2013. Prior to the acquisition, SSMHC owned 5% of the outstanding stock of DHS, accounted for under the cost method of accounting, 47% of the outstanding stock of DHI and 47% of Dean Health Holdings, LLC (DHH), both accounted for under the equity method of accounting, with DHS owning the remaining 53% interest.

In addition, SSMHC and DHS were previously joint venture partners, each owning 50% in St. Mary's Dean Ventures (SMDV), Wisconsin Integrated Information Technology and Telemedicine Systems, LLC (WIITTS), and Dean Clinic and St. Mary's Hospital Accountable Care Organization, LLC (ACO). Prior to the acquisition of DHS, SSMHC accounted for its interest in each joint venture under the equity method of accounting.

Prior to the acquisition, SSMHC reported its investment in all of the aforementioned entities within investments in unconsolidated entities in the consolidated balance sheets.

DHS's assets include more than 60 clinics in Wisconsin, DHP, Navitus, and various subsidiary organizations. The clinics and their 500 physicians provide primary, specialty and tertiary care. DHP is a provider-based health maintenance organization in South Central Wisconsin serving more than 300,000 members. Navitus provides pharmacy benefit administration services to a variety of clients on a national scale, including health plans and self-funded employer groups, covering over 2.6 million lives at

December 31, 2013. The primary purpose of the merger between SSMHC and DHS is to enhance the alignment of strategic initiatives, improve the delivery and efficiency of patient care, utilize the combined resources of both organizations more effectively and provide for greater financial strength.

SSMHC completed the acquisition of the outstanding stock of DHS for consideration of $363,373. Consideration consisted of cash of $315,921, escrow deposit of $30,000, settlement of a non-compete agreement of $11,914, accounts payable of $4,762 and settlement of liabilities of $776. Through the acquisition of DHS, SSMHC also acquired the remaining 53% of the outstanding stock of DHI and DHH and the remaining interest in all DHS subsidiary organizations. SSMHC recorded related goodwill of $95,299.

The non-compete agreement of $11,914 existed between SSMHC and SMDV prior to the acquisition. The settlement of liabilities of $776 related to distributions from DHS to shareholders. Both of these pre-existing relationships are considered additional consideration when settled at the acquisition date.

SSMHC recorded a gain of $23,571 related to the acquisition which is recorded in operating investment income. The acquisition-date fair value of previously held equity interests in DHS and its subsidiaries was $160,133. The fair value of these interests was determined by applying a lack of control discount to the equity values for each pre-existing interest on a controlling marketable basis as determined by a discounted cash flow model. The gain consisted of a gain of $28,038 due to the remeasurement of SSMHC's previous investments in DHS and its subsidiaries at their acquisition-date fair value. The gain also included unrealized gains on available for sale securities totaling $1,571 and the loss from interest rate swaps totaling $6,038 which were reclassified from unrestricted net assets. These are included in the calculation of the gain as of the acquisition date.

The acquisition related costs incurred by SSMHC in relation to the transaction are $9,646 and are recorded in professional fees and other.

Summarized balance sheet information for DHS and its subsidiaries at September 1, 2013 is shown below:

Cash	$ 161,109
Current assets	408,204
Property and equipment	250,432
Goodwill	95,299
Intangible assets	238,653
Noncurrent assets	4,470
Current liabilities	(494,093)
Long-term debt	(106,921)
Other noncurrent liabilities	(33,647)

Subsequent adjustments to the September 1, 2013 purchase price allocation may include adjustments to goodwill and deferred taxes for information not currently available which are not expected to be material.

At the acquisition date, the fair value of receivables approximated gross contractual amounts less provisions for doubtful accounts. The best estimate of the amounts that will not be collected is $72,130.

Operating results for DHS and its subsidiaries for the period September 1, 2013 through December 31, 2013 include total unrestricted revenue of $466,906, operating income of $156 and excess of revenue over expenses of $6,542.

Condensed financial information of DHI and subsidiaries and DHH as of August 31, 2013 and December 31, 2012, and for eight months and year then ended, respectively, is summarized below:

	2013	**2012**
Current assets		$ 167,982
Noncurrent assets		162,630
Total assets		$ 330,612
Current liabilities		$ 151,888
Noncurrent liabilities		24,782
Total liabilities		176,670
Equity		153,942
Total liabilities and equity		$ 330,612
Total revenues	$ 749,465	$ 1,080,770
Total expenses	743,803	1,071,148
Net income	$ 5,662	$ 9,622

Prior to the acquisition, DHI classified its marketable securities as available for sale and included the change in unrealized gain (loss) on available-for-sale marketable securities outside of its performance indicator. SSMHC recorded its share of this activity as an increase (decrease) in unrestricted net assets outside of its performance indicator.

Audrain Health Care, Inc. — Effective April 1, 2013, SSMHC became the sole member of Audrain Health Care, Inc. (Audrain). Audrain consists of an 88-bed acute care hospital with 40 active physicians and nurse practitioners located in Mexico, Missouri and ten rural health clinics in Mexico, Missouri and the surrounding communities. SSMHC acquired Audrain and recorded related goodwill of $6,735 and renamed the facility SSM Audrain Health Care, Inc. (SSM Audrain).

Summarized balance sheet information for SSM Audrain at April 1, 2013 is shown below:

Cash	$ 1,400
Current assets	10,151
Property and equipment	9,837
Goodwill	6,735
Investment in unconsolidated entity	455
Liabilities	(28,578)

At the acquisition date, the fair value of receivables approximated gross contractual amounts less provisions for doubtful accounts. The best estimate of the amounts that will not be collected is $10,009.

Operating results of SSM Audrain for the period April 1, 2013 through December 31, 2013 included total unrestricted revenue of $35,715, operating loss of $11,475 and expenses over revenue of $11,398. Operating results include a goodwill impairment of $6,735.

Community Health Partners, Inc. d/b/a Unity Health Center — Effective June 30, 2012, SSMHC acquired the assets and liabilities of Community Health Partners, Inc. Unity Health Center, a 102-bed hospital facility with approximately 60 physicians and 550 health-care professionals, is located in Shawnee, Oklahoma. SSMHC acquired Unity Health Center for $58,895 in cash and recorded related goodwill of $21,933 and renamed the facility St. Anthony Shawnee Hospital.

Summarized balance sheet information for St. Anthony Shawnee Hospital at June 30, 2012 is shown below:

Current assets	$ 3,027
Property and equipment	39,628
Goodwill	21,933
Intangible assets	1,928
Investment in unconsolidated entity	833
Liabilities	(8,454)

Operating results of St. Anthony Shawnee Hospital for the period June 30, 2012 through December 31, 2012 included total unrestricted revenue of $36,227, operating income of $1,333 and excess of revenue over expenses of $1,292.

Shawnee Medical Center Clinic, Inc. — Effective June 17, 2012, SSMHC acquired the assets and liabilities of Shawnee Medical Center Clinic, Inc. ("Clinic"). The Clinic is a multispecialty medical group with 27 physicians, 13 mid-level providers and 220 employees located primarily in Shawnee, Oklahoma. SSMHC acquired the Clinic for $6,338 and recorded related goodwill of $828.

Summarized balance sheet information for the Clinic at June 17, 2012 is shown below:

Current assets	$2,633
Property and equipment	3,074
Goodwill	828
Intangible assets	244
Liabilities	(441)

Operating results of the Clinic for the period June 17, 2012 through December 31, 2012 included total unrestricted revenue of $13,589, operating income of $1,727, and excess of revenue over expenses of $1,727.

The pro-forma amount of SSMHC's revenue, earnings and changes in net assets had the above acquisitions occurred on January 1, 2012 are as follows:

	Unaudited	
	2013	**2012**
Total operating revenues and other support	$4,628,579	$4,627,258
(Loss) income from operations	(80,793)	61,717
Excess of revenues over expenses	125,516	199,805

12. DEBT

Debt at December 31, 2013 and 2012, consists of the following:

	2013	2012
Under the Master Indenture:		
Fixed rate:		
Series 2010A Bonds, 4.9%, due serially through 2034 (plus unamortized premium of $2,468 and $2,657 at December 31, 2013 and 2012, respectively)	$ 119,884	$ 121,422
Series 2010B Bonds, 4.8%, due serially through 2034 (plus unamortized premium of $1,285 and $1,383 at December 31, 2013 and 2012, respectively)	154,255	154,353
Series 2008A Bonds, 5.0%, due serially through 2036 (less unamortized discount of $2,467 and $2,589 at December 31, 2013 and 2012, respectively)	101,533	101,411
Series 2001 Hospital Revenue Bonds, 4.65% to 5.40%, due serially through 2016	3,860	-
Series 1992A, 6.2%, due serially through 2015 (plus unamortized premium of $185 and $370 at December 31, 2013 and 2012, respectively)	5,235	7,725
Total fixed rate debt	384,767	384,911
Variable rate:		
Series 2012A Variable Rate Direct Loans, 0.57% at December 31, 2013, due serially through 2045	108,900	110,000
Series 2012B Variable Rate Direct Loans, 0.76% at December 31, 2013, due serially through 2045	72,430	73,265
Series 2010D Variable Rate Demand Bonds, 0.05% at December 31, 2013, due serially through 2045	110,570	111,060
Series 2010E Variable Rate Demand Bonds, 0.03% at December 31, 2013, due serially through 2045	86,430	87,135
Series 2005C Variable Rate Demand Bonds, 0.06% at December 31, 2013, due serially through 2033	157,380	157,500
Series 2005D Variable Rate Demand Bonds, 0.08% at December 31, 2013, due serially through 2033	76,125	76,125
Series 2002B, Auction Rate Bonds, 0.30% at December 31, 2013, term bonds due between 2013 and 2020	47,350	60,000
Series 1998B, Auction Rate Bonds, 0.18% to 0.30% at December 31, 2013, due serially through 2019	73,950	77,150
Total variable rate debt	733,135	752,235
Taxable debt — Fixed rate direct loan, 2.2% due in annual installments through 2019	96,953	100,000
Other debt:		
Note payable to Felician Services, Inc.	41,444	40,832
Term loan, interest adjusted monthly, due serially through 2015	46,875	-
Equipment loan, 1.37% at December 31, 2013, due in 2015	1,699	-
Building construction loan, 1.37% at December 31, 2013, due in 2015	42,500	-
Surplus notes, 0.15% at December 31, 2013, due in 2019	6,663	-
Notes payable, due at various dates through 2029, interest at 4.00% to 9.12%, unsecured	4,846	7,121
Capital lease obligations, at varying rates from 3.00% to 6.13% collateralized by leased equipment	29,214	35,469
Total other	173,241	83,422
Total long-term debt	1,388,096	1,320,568
Less current portion	51,201	41,313
Total	$ 1,336,895	$ 1,279,255

SSM Health Care Master Indenture — SSMHCC is a member of the SSM Health Care Credit Group (Credit Group) and the only Obligated Group Member pursuant to a Master Trust Indenture (amended and restated) dated May 15, 1998. SSMHC corporations not included in the Credit Group include a variety of entities consisting primarily of foundations, medical office building corporations, employed physician practices, and various other corporations involved in activities supporting SSMHC. As of December 31, 2013, DHS entities are not included in the Credit Group. Certain of SSMHC's affiliates are "Designated Affiliates" under the Master Trust Indenture. The net assets of the Designated Affiliates are available to SSMHCC to service all obligations under the Master Indenture. Various issuing authorities have issued tax-exempt revenue bonds under the Master Trust Indenture. The payment of Series 2002B, 1998B, and 1992A, which aggregate $126,535 and $144,875 at December 31, 2013 and 2012, respectively, is insured by municipal bond insurance policies. The remaining bonds are uninsured. All Master Indenture debt is subject to certain debt covenants, including, among other things, the maintenance of certain cash balances and other financial ratios. SSMHC was in compliance with all debt covenants as of December 31, 2013.

On July 26, 2012, SSMHC issued $183,265 of direct tax-exempt loans through the Health and Educational Facilities Authority of the State of Missouri. The proceeds were used for the partial repayment of the Series 2005C bonds and the complete repayment of the 2005A and 2010C bonds. SSMHC recorded a loss on the extinguishment of debt of $1,125 in connection with these transactions during the year ended December 31, 2012.

Taxable Debt — On June 27, 2012, SSMHC entered into a term loan agreement with a financial institution in the amount of $100,000.

Revenue Bonds — On April 1, 2013, SSMHC became the sole member of Audrain and assumed all of Audrain's debt. This included the 2001 Hospital Refunding and Improvement Revenue Bonds which had a fair value of $5,020 at acquisition. These bonds are secured by the net revenues of Audrain and the assets restricted under the bond indenture agreement. As of December 31, 2013, Audrain was in compliance with its financial covenants, with the exception of the Minimum Debt Service Coverage Ratio. SSMHC was granted a waiver by the lender as of December 31, 2013. In return for the waiver, SSMHC deposited $2,611 into the Debt Service Fund at the Trustee in order to satisfy all remaining principal and interest payments. This deposit was made subsequent to year end.

Auction Rate Bonds — The debt includes $121,300 and $137,150 at December 31, 2013 and 2012, respectively, of variable auction rate bonds. The interest rates on these bonds are reset at regular intervals of 35 days. The bonds are bought and sold at the lowest bid rate at which all of the outstanding bonds can be sold. This rate varies based on market conditions. If there are insufficient orders to purchase all of the bonds available for sale, the rate is set at a maximum rate required by the bond agreement. The maximum rate for SSMHC's auction rate bonds is the higher of the 175% of the after-tax equivalent rate or the Kenny Index, but no more than 12%.

Variable Rate Bonds — The debt includes $611,835 and $615,085 at December 31, 2013 and 2012, respectively, of variable rate demand bonds. The interest rates on these bonds are reset at daily or weekly intervals. The bonds are supported by credit facilities for the full amount of the bonds.

Acquisition of DHS — As of August 31, 2013, SSMHC assumed $106,921 in long-term debt upon the acquisition of DHS. As collateral for DHS's obligations under the term loan and senior secured notes, which are included in other long-term notes payable at $1,539 at December 31, 2013, DHS and certain of its subsidiaries have granted a first priority lien on certain bank accounts, accounts receivable, marketable securities, and selected real and personal property currently owned or subsequently acquired. The term loan and senior secured notes provide for certain financial covenants and limit the additional amounts that can be borrowed. Effective December 31, 2013, DHS was in compliance with its financial covenants.

The debt includes a building construction loan and an equipment loan in the aggregate amount of $44,199 at December 31, 2013, which SMDV has entered into to finance the construction of an outpatient surgery facility and to purchase related equipment for the facility. The loans contain covenants with respect to certain financial ratios and operating matters. As of December 31, 2013, SMDV was in compliance with its financial covenants, with the exception of the Minimum Fixed Charge Coverage Ratio, as defined. SMDV has requested and received a waiver for this covenant violation from the lender.

During 2012, as part of a new third-party service agreement, DHI entered into a surplus note agreement in the amount of $6,663. Principal and interest repayments must be approved by the Office of the Commissioner of Insurance (OCI) of the State of Wisconsin. Repayment of the note will not occur until the earlier of OCI approval or 18 months after the service agreement termination date of December 31, 2019. Interest is accrued on the outstanding principal balance at the one-year U.S. Treasury securities rate as set on the first business day of the calendar year. The annual interest rate for the period from September 1, 2013 to December 31, 2013 was 0.15%.

On February 28, 2014, SSMHC entered into a $150,000 revolving line of credit agreement. This line replaced currently existing lines of credit totaling $180,000. The total amount of the line of credit is available for the issuance of Letters of Credit. SSMHC pays interest based on LIBOR plus a spread. The line is secured under SSMHC's existing Master Trust Indenture. On March 28, 2014, SSMHC drew on the revolving line of credit in the amount of $92,971 in order to fund the early payoff of certain term loans and outstanding swaps.

Note Payable to FSI — On July 1, 2007, SSMHC entered into an installment note payable to the Felician Services, Inc. (FSI). Under the terms of the agreement, FSI may elect to convert the note to pay status on or after December 31, 2014. SSMHC will begin making twenty annual payments on the note, with the first one due one year after FSI has notified SSMHC of its election to convert the note to pay status. Under specified circumstances SSMHC can issue a resolution which enables FSI to convert the note to pay status prior to December 31, 2014, with installments to begin two years from notice. The fixed interest rate will be equal to the 20-year municipal market data index plus 0.25 on the first day the note is in pay status.

Until the note is in pay status, the principal is adjusted annually based on a specified consumer price index. The principal of the note was adjusted $612 and $698 for the years ended December 31, 2013 and 2012, respectively, from the fair value at July 1, 2007, which is reflected in interest expense.

Liquidity Agreements — The Series 2005C, 2005D, 2010D, and 2010E Variable Rate Demand Bonds require remarketing agents to purchase and remarket any bonds tendered before the stated maturity date. To provide liquidity support for the timely payment of any bonds that are not successfully remarketed, SSMHC has liquidity agreements with five banking corporations. If the bonds are not successfully remarketed, SSMHC is required to pay an interest rate specified in the liquidity agreement. These agreements have terms that expire in 2014 through 2019 or require accelerated principal repayment terms in the event of a failed remarketing.

The 2005C, 2005D, 2010D, and 2010E Variable Rate Demand Bonds are classified between long-term borrowings and short-term borrowings based upon these accelerated terms. The contingent payments below reflect these accelerated terms. However, SSMHC's contractual payments do not reflect these accelerated terms. If any of these agreements are terminated and not replaced, extended, or renewed, SSMHC can be required to purchase the tendered bonds at the specified bank rate in a short period of time.

Contractual and Contingent Principal Repayments — Contractual and contingent principal repayments on long-term debt and capital lease obligations of SSMHC are as follows:

	Long-Term Debt		Capital
	Contractual Payments	Contingent Payments	Lease Obligations
2014	$ 39,645	$ 45,645	$ 7,539
2015	116,660	116,660	2,714
2016	33,218	33,218	2,596
2017	32,964	32,964	2,579
2018	30,782	30,782	2,620
Thereafter	1,104,142	1,098,142	34,225
	$1,357,411	$1,357,411	52,273
Less amount representing interest under capital lease obligations			23,059
			$29,214

Revolving Line of Credit — At December 31, 2013, SSMHC had 4 line of credit agreements with banks. One line is at varying rates of interest through July 15, 2014 and permits SSMHC to borrow up to $50,000. There was no outstanding balance under this agreement at December 31, 2013. The remaining lines are at varying rates of interest through February 26, 2014. Two of these permit SSMHC to borrow up to $50,000 while the other permits borrowing up to $30,000. There were no outstanding borrowings under these agreements at December 31, 2013. At December 31, 2012, SSMHC had outstanding borrowings of $37,000 under line of credit agreements which expired in 2013.

DHS has a direct-pay letter of credit (LOC) facility to support a commercial paper program whereby DHS is the issuer and obligor. At December 31, 2013, the combined commercial paper annual interest rate and LOC spread in effect was 2.4% and the commitment fee charged on any unused portion of the LOC was 0.50%. The LOC is convertible to a loan and has a total amount available of $100,000 at December 31, 2013. Both the LOC and combined term loan expire/mature in 2015 with annual renewals thereafter, at the discretion of the commitment issuer. The outstanding balance under this program at December 31, 2013, was $85,000 which is included in revolving line of credit.

Note Payable — On August 29, 2013, SSMHC entered into a short-term taxable note payable agreement with a financial institution to provide interim financing in the principal amount of $275,000. On November 15, 2013, SSMHC borrowed an additional $125,000 under this same note agreement. The note carries a variable interest rate and is due on July 31, 2014.

Fair Value of Long-Term Debt — The valuation of the estimated fair value of long-term debt is completed by a third party service and accepted by management and takes into account a number of factors including, but not limited to, any one or more of the following: general interest rate and market conditions; macroeconomic and/or deal-specific credit fundamentals; valuations of other financial instruments which may be comparable in terms of rating, structure, maturity and/or covenant protection; investor opinions about the respective deal parties; size of the transaction; cash flow projections, which in turn are based on assumptions about certain parameters that include, but are not limited to, default, recovery, prepayment and reinvestment rates; administrator reports, asset manager estimates, broker quotations and/or trustee reports; and comparable trades, where observable. Based on the inputs in determining the estimated fair value of debt this liability would be considered Level 2. The fair value approximated $1,397,577 and $1,341,457 at December 31, 2013 and 2012, respectively, compared to carrying amounts of $1,388,096 and $1,320,568, respectively.

Interest Rate Swaps — SSMHC utilizes interest rate swap agreements which effectively change SSMHC's interest exposure on its variable debt to fixed rates. None of these swaps has been designated as hedges of the interest payments on outstanding debt obligations for accounting purposes.

The following table shows the outstanding notional amount of derivative instruments measured at fair value as reported in other liabilities in the consolidated balance sheets as of December 31, 2013 and 2012:

December 31, 2013	Recorded on Balance Sheet	Maturity Date of Derivatives	Fixed Rate	Notional Amount Outstanding	Fair Value
Derivatives not designated as hedges — interest rate swaps	Other liabilities	2015–2035	2.90%–5.98%	$701,774	$ (88,019)
Total				$701,774	$ (88,019)
December 31, 2012					
Derivatives not designated as hedges — interest rate swaps	Other liabilities	2033–2035	3.36%–3.51%	$613,600	$(135,152)
Total				$613,600	$(135,152)

Fair value is based on significant other observable inputs (Level 2) at December 31, 2013 and 2012. The gain (loss) related to derivative instruments has been recorded for the years ended December 31, 2013 and 2012, as follows:

		Gain (Loss) December 31,	
	Recorded as	2013	2012
Settled amounts	Operating interest expense	$(21,129)	$(19,431)
Unrealized gains	Change in fair value of interest rate swap	61,539	306
Total		$ 40,410	$(19,125)

Cash Paid for Interest — Cash paid for interest totaled $47,264 and $37,848 for the years ended December 31, 2013 and 2012, respectively. SSMHC capitalized interest cost in the amounts of $3,409 and $6,342 in the years ended December 31, 2013 and 2012, respectively.

13. PENSION

SSMHC administers several qualified and non-qualified pension plans for its employees. As of March 31, 2012, SSMHC made changes to its retirement plans including a change in its final average benefit structure (beginning in 2013) and a lump sum feature for current and future employees (beginning in 2012 and phasing-in over the next several years.) The result of the plan changes was a reduction in the plans' liabilities and improvement of the funded status of $263,987, measured as of March 31, 2012. The reduction in liability was first used to reduce any current unrecognized prior service cost with the remainder recorded as a prior service credit.

On April 1, 2013, the Pension Plan of Audrain Medical Center was acquired along with the other assets and liabilities of Audrain. This acquisition resulted in an increase in benefit obligation of $23,689 and an increase in the fair value of plan assets of $11,467.

The following table summarizes the benefit obligations, the fair value of plan assets and the funded status at December 31, 2013 and 2012:

	2013	2012
Change in projected benefit obligation:		
Projected benefit obligation — beginning of period	$1,847,139	$1,746,127
Service cost, benefits earned during the period	62,921	61,774
Interest costs on projected benefit obligation	75,872	82,076
Plan amendment	-	(263,987)
Actuarial (gain) loss	(164,451)	296,609
Acquisitions/divestitures	23,689	-
Benefits paid	(71,545)	(75,460)
Projected benefit obligation — end of period	1,773,625	1,847,139
Change in plan assets:		
Fair value of plan assets — beginning of period	951,601	852,280
Actual return on plan assets	134,248	103,130
Employer contributions	78,233	71,651
Acquisitions/divestitures	11,467	-
Benefits paid	(71,545)	(75,460)
Fair value of plan assets — end of period	1,104,004	951,601
Net amount recognized at end of period and funded status	$ (669,621)	$ (895,538)
Accumulated benefit obligation — end of period	$1,685,143	$1,743,348

The following is a summary of the amounts recognized in the consolidated balance sheets for the years ended December 31, 2013 and 2012:

	2013	2012
Amounts recognized in the consolidated balance sheets consist of:		
Accounts payable and accrued expenses	$ (2,314)	$ (2,481)
Other liabilities	(667,307)	(893,057)
Net amount recognized	$ (669,621)	$ (895,538)
Amounts recognized in unrestricted net assets consist of:		
Beginning of year balance	$ 613,012	$ 635,980
Arising during current year:		
Net actuarial (gains)/loss	(221,479)	270,756
Prior service cost	-	(263,988)
Reclassified into net periodic benefit cost:		
Net actuarial loss	(75,671)	(50,946)
Prior service cost	28,543	21,210
End of year balance	$ 344,405	$ 613,012

The net loss and prior service (credit) cost for the defined benefit pension plans that will be amortized from unrestricted net assets into net periodic benefit costs over the next fiscal year are $44,950 and ($28,542), respectively.

The following is a summary of the components of net periodic pension cost for the years ended December 31, 2013 and 2012:

	2013	2012
Service cost, benefits earned during the period	$ 62,921	$ 61,774
Interest costs on projected benefit obligation	75,872	82,076
Expected return on plan assets	(77,220)	(77,277)
Amortization of unrecognized:		
Prior service costs	(28,543)	(21,210)
Net loss	75,671	50,946
Net periodic pension cost	$ 108,701	$ 96,309

The following are the actuarial assumptions used by the pension plans to develop the components of pension expense for the years ended December 31, 2013 and 2012:

	2013	April 1– December 31, 2012	January 1 – March 31, 2012
Discount rates	3.95 %	4.70 %	5.20 %
Rates of salary increase	4.00	4.00	4.00
Return on plan assets	8.00	8.00	8.00

The following are the actuarial assumptions used by the pension plans to develop the components of the pension projected benefit obligation as of December 31, 2013 and 2012:

	2013	2012
Discount rates	4.85 %	3.95 %
Rates of salary increase	3.75	4.00

SSMHC expects to contribute $77,614 to its pension plans in 2014.

Estimated Future Benefit Payments — The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Benefits
2014	$ 78,276
2015	90,952
2016	126,655
2017	118,509
2018	121,269
Years 2019–2023	688,857

The actual plan asset allocations and the allocation goals comprise the following investment classifications at December 31, 2013 and 2012:

	2013	2012	Allocation Goals
Cash, cash equivalents, and short-term investments	2 %	1 %	2 %
Equities	48	48	47
Fixed income	20	21	21
Real estate investments	15	15	15
Multi-strategy hedge funds	15	15	15
	100 %	100 %	100 %

SSMHC's investment objective with respect to pension plans is to produce sufficient current income and capital growth through a portfolio of equity, real estate, hedge fund, and fixed income investments, which together with appropriate employer contributions is sufficient to provide for the pension benefit obligations. The assumed return on plan assets is intended to be a long-term rate expected on funds invested or to be invested in accordance with SSMHC's asset allocation policy to provide for benefits reflected in the plans' projected benefit obligation. In developing the assumptions, SSMHC evaluates input from its actuary and pension fund investment advisors. Pension assets are managed by outside investment managers in accordance with the investment policies and guidelines established by the pension trustees, and are diversified by investment style, asset category, sector, industry, issuer, geographical location, and maturity. Pension assets are rebalanced each quarter to the plan's asset allocation guidelines. SSMHC anticipates that its investment managers will continue to generate long-term returns equal to or in excess of its assumed rates.

Plan assets comprise the following asset classifications which include securities on loan:

	2013	2012
Assets valued at fair value:		
Cash and cash equivalents	$ 35,902	$ 34,973
Corporate obligations	80,355	87,741
Government securities	65,925	56,442
Mutual funds:		
Domestic	90,375	76,575
International	187,996	139,920
Emerging markets	47,179	46,753
Equities:		
Small cap	21,976	22,564
Mid cap	72,581	52,695
Large cap	194,671	168,555
Partnership interests	22,129	21,103
Hedge funds	165,267	143,066
Real estate investments	119,098	100,992
Securities lending:		
Equities	76,820	30,358
Government securities	33,483	18,645
Corporate obligations	3,281	7,146
	1,217,038	1,007,528
Assets valued at other than fair value — unsettled investment transactions	550	222
Total assets	1,217,588	1,007,750
Payable under security lending agreement	(113,584)	(56,149)
Fair value of plan assets	$1,104,004	$ 951,601

Following is a summary of plan assets by the level of significant input. For description of levels, see Note 7:

2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Cash and cash equivalents — restricted	$ 35,902	$ -	$ -	$ 35,902
Corporate obligations	-	80,355	-	80,355
Government securities	-	65,925	-	65,925
Mutual funds:				
Domestic	90,375	-	-	90,375
International	123,167	64,829	-	187,996
Emerging markets	47,179	-	-	47,179
Equities:				
Small cap	21,976	-	-	21,976
Mid cap	72,581	-	-	72,581
Large cap	194,671	-	-	194,671
Partnership interests	22,129	-	-	22,129
Hedge funds	-	-	165,267	165,267
Real estate investments	-	-	119,098	119,098
Securities lending:				
Equity securities	76,820	-	-	76,820
Government securities	-	33,483	-	33,483
Corporate obligations	-	3,281	-	3,281
Total assets	$ 684,800	$ 247,873	$ 284,365	$ 1,217,038

2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Cash and cash equivalents — restricted	$ 34,973	$ -	$ -	$ 34,973
Corporate obligations	-	87,741	-	87,741
Government securities	-	56,442	-	56,442
Mutual funds:				
Domestic	76,575	-	-	76,575
International	85,886	54,034	-	139,920
Emerging markets	46,753	-	-	46,753
Equities:				
Small cap	22,564	-	-	22,564
Mid cap	52,695	-	-	52,695
Large cap	168,555	-	-	168,555
Partnership interests	21,103	-	-	21,103
Hedge funds	-	-	143,066	143,066
Real estate investments	-	-	100,992	100,992
Securities lending:				
Equity securities	30,358	-	-	30,358
Government securities	-	18,645	-	18,645
Corporate obligations	-	7,146	-	7,146
Total assets	$ 539,462	$ 224,008	$ 244,058	$ 1,007,528

It is SSMHC's policy that transfers between levels will occur when revised information regarding the lowest level of significant inputs becomes available. There were no transfers between levels in 2013 or 2012.

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

	2013	2012
Beginning balance	$244,058	$215,838
Actual return on plan assets — realized	18,314	544
Actual return on plan assets — unrealized	1,942	10,901
Purchases, sales, and settlements — net	20,051	16,775
Ending balance	$284,365	$244,058

Unrealized gains on Level 3 investments were $1,942 and $10,901 for 2013 and 2012, respectively.

The hedge funds and real estate investments are redeemable at NAV under the original terms of the agreements. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of SSMHC's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if SSMHC were to sell these investments in the secondary market a buyer may require a discount to the reported net asset value, and the discount could be significant. As such, SSMHC has classified these as Level 3 investments. In addition, the unfunded commitments to these funds are $5,163 and $7,345 at December 31, 2013 and 2012, respectively. Assets recorded at NAV at December 31, 2013, are as follows:

December 31, 2013	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Hedge funds (a)	$165,267	$ -	Quarterly	30–100 days
Real estate investments (b)	119,098	5,163		
Total	$284,365	$5,163		

December 31, 2012	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Hedge funds (a)	$143,066	$ -	Quarterly	30–100 days
Real estate investments (b)	100,992	7,345		
Total	$244,058	$7,345		

(a) This category includes investments in hedge funds that maintain positions both long and short in equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques, and the managers can maintain net long or net short exposure levels based on market views. The strategy designs a diversified portfolio of managers and strategies with the objective of significantly lowering the risk and volatility of investing with an individual manager.

(b) This category includes investments in real estate funds that invest in the following: underperforming and distressed real estate assets at well below potential replacement cost and which create significant value-added upside through extensive repositioning and capital improvements; distressed real estate and real estate-related debt, companies, securities, and other assets; high quality properties in major metropolitan areas; participating mortgages secured by core real estate properties. Investments in real estate are valued based upon independent appraisals using a cost approach, market approach or income approach as well as consideration of other third party evidence.

Defined Contribution Plans — SSMHC also sponsors defined contribution plans covering employees (excluding DHS employees) who participate in the voluntary tax deferred annuity program and who meet age and service requirements. SSMHC's contributions to these plans are based on a percentage of employee compensation or employee contributions. Defined contribution pension expense for these plans was $11,551 and $10,684 for 2013 and 2012, respectively, and is included in salaries and benefits.

DHS and its subsidiaries sponsor several defined contribution plans covering substantially all employees of DHS. Total contributions to these plans for the period from September 1, 2013 to December 31, 2013 was $3,067 which is included in salaries and benefits.

14. SELF-INSURANCE

Professional and General Liability Insurance — A majority of the members of SSMHC (excluding DHS) participate in the SSMHC Liability Trust I or SSMHC Liability Trust II (Trusts). Both Trusts are revocable grantor trusts. These Trusts, which cover primary limits of professional and general liability, require annual contributions by participating entities at actuarially determined amounts. All professional and general liability claims and workers' compensation claims are paid from the Trusts subject to certain liability limitations.

SSMHC's underlying self-insured retention for professional liability claims is as follows:

	January 1, 2012 to December 31, 2013
Per occurrence limits — Missouri, Oklahoma, and Illinois	$5,000
Annual aggregate	None

SSMHC's hospitals and physicians located in Wisconsin are qualified healthcare providers as defined by Wisconsin state statutes regarding professional liability coverage and participate in the State of Wisconsin Injured Patients and Families Compensation Fund (PCF). As defined by Wisconsin state statute, these hospitals and physicians have separate professional liability limits of $1,000 per claim and $3,000 annual aggregate applied to each qualified provider. Losses in excess of these amounts are fully covered through mandatory participation in the PCF. SSMHC is commercially insured up to these limits for these hospitals and physicians.

SSMHC's underlying self-insured retention for general liability claims is as follows:

	January 1, 2012 to December 31, 2013
Per occurrence limits — Missouri, Oklahoma, Wisconsin and Illinois	$3,000
Annual aggregate	None

SSMHC maintains reinsurance through a wholly owned captive for professional and general liability claims exceeding the underlying self-insured retention. As of December 31, 2013, the reinsurance provides coverage up to the limits in the following table. The sublimits that apply are part of and not in addition to the overall policy aggregate limits.

	All Locations
Each loss event	$ 135,000
Annual aggregate, per location	135,000
Annual aggregate all locations	160,000

The estimated professional and general liability obligation is recorded in the consolidated financial statements at the present value of future cash payments for both asserted and unasserted claims, using a discount rate of 3.0% at December 31, 2013 and 2012. The liability for self-insured reserves represents estimates of the ultimate net cost of all losses and related expenses, which are incurred but not paid at the balance sheet date based on an actuarial valuation. This estimated obligation is $67,106 and $77,520 at December 31, 2013 and 2012, respectively, of which $18,095 and $17,754 is recorded in accounts payable and accrued liabilities at December 31, 2013 and 2012, respectively.

The accumulated assets of the Trusts are not available to participating members except to pay covered professional liability claims or to reduce future contributions when warranted by claims experience. In the event the Trusts are ever depleted, the participating members would be required to fund deficiencies based on future actuarial determinations.

DHS retains deductible levels with respect to its professional liability program. For professional liability claims reported on or after July 1, 2004, the per-occurrence deductible level is $1,000 per defendant, and the annual aggregate deductible level is $3,000. DHS is contractually obligated to reimburse its insurance carriers for all claims paid under the professional liability policies. The PCF also provides unlimited insurance limits for amounts in excess of the deductibles. At December 31, 2013, DHS recognized a liability of $9,500, of which $1,662 is recorded in accounts payable and accrued expenses at December 31, 2013.

Workers' Compensation — A majority of the members of SSMHC participate in SSMHC's centralized self-insured workers' compensation program. Claims in excess of certain liability limitations are covered by commercial insurance. The estimated workers' compensation liability obligation is actuarially determined and recorded in the consolidated financial statements at the present value of future cash payments for both asserted and unasserted claims, using a discount rate of 1.0% at December 31, 2013 and 2012. DHS maintains a fully insured workers' compensation program through commercial insurance.

Employee Health Insurance — A majority of the members of SSMHC participate in the SSM Employee Health Care Plan (the "HC Plan"). Each participating member funds an actuarially determined amount for payment of covered benefits and related expenses, which are subject to certain limitations. Claims paid by the HC Plan are included in salaries and benefits expense and include claims paid by the HC Plan to SSMHC entities were $67,617 and $62,119 for the years ended December 31, 2013 and 2012, respectively. DHS members are fully insured under DHP.

15. ASSET RETIREMENT OBLIGATIONS

SSMHC has recorded conditional asset retirement obligations and capitalized retirement costs related to the estimated cost of removing asbestos from its facilities. Federal and state regulations require the removal of asbestos when a building is demolished or, at a minimum, encapsulation of the asbestos when it would be exposed during renovation. The obligation is included in other liabilities, and the capitalized costs are included in property and equipment. The following summarizes the asset retirement obligations at December 31, 2013 and 2012:

	2013	2012
Balance — beginning of the period	$ 9,947	$ 10,152
Retirements	(1,223)	(703)
Additions	524	169
Accretion expense	306	329
Balance — end of the period	$ 9,554	$ 9,947

16. ENDOWMENTS

Endowments consist of approximately 50 individual funds established for a variety of purposes. They include both donor-restricted endowment funds and funds designated by the boards of trustees or governors of its 15 foundations to function as endowments (board-designated endowment funds). Net assets associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions and the nature of the restrictions, if any.

Endowment Net Asset Composition by Type of Fund as of December 31, 2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 8,225	$ 22,287	$ 30,512
Board-designated endowment funds	14,309	-	-	14,309
Total funds	$ 14,309	$ 8,225	$ 22,287	$ 44,821

Endowment Net Asset Composition by Type of Fund as of December 31, 2012	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 7,460	$ 19,000	$ 26,460
Board-designated endowment funds	15,606	-	-	15,606
Total funds	$ 15,606	$ 7,460	$ 19,000	$ 42,066

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets — beginning of year	$ 15,606	$ 7,460	$ 19,000	$ 42,066
Investment return:				
Investment income	192	1,188	1,065	2,445
Net depreciation (realized and unrealized)	561	2	55	618
Total investment return	753	1,190	1,120	3,063
Contributions	-	-	343	343
Appropriation of endowment assets for expenditure	(466)	(425)	-	(891)
Other changes - transfers in (out)	(1,584)	-	1,824	240
Endowment net assets — end of year	$ 14,309	$ 8,225	$ 22,287	$ 44,821

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2012	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets — beginning of year	$ 14,820	$ 5,608	$ 17,550	$ 37,978
Investment return:				
Investment income	321	374	485	1,180
Net depreciation (realized and unrealized)	612	1,001	49	1,662
Total investment return	933	1,375	534	2,842
Contributions	14	645	916	1,575
Appropriation of endowment assets for expenditure	(161)	(168)	-	(329)
Endowment net assets — end of year	$ 15,606	$ 7,460	$ 19,000	$ 42,066

Transfers in (out) include a reclassification of permanently restricted endowment earnings and new endowments acquired through acquisitions.

Funds with Deficiencies — From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or current law requires SSMHC to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of December 31, 2013 and 2012.

Return Objectives and Risk Parameters — SSMHC has investment and spending practices for endowment assets that intend to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that SSMHC must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The policy allows the endowment assets to be invested in a manner that is intended to produce results that exceed the price and yield results of the allocation index while assuming a moderate level of investment risk. SSMHC expects its endowment funds to provide a rate of return that preserves the gift and generates earnings to achieve the endowment purpose.

Strategies Employed for Achieving Objectives — To satisfy its long-term rate-of-return objectives, SSMHC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and interest and dividend income. SSMHC uses a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints to preserve capital.

Spending Policy and how the Investment Objectives Relate to Spending Policy — SSMHC has a practice of distributing the major portion of current year earnings on the endowment funds, if the restrictions have been met. Some of the donor-restricted endowments require a portion of the earnings to increase the corpus of the endowment. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

17. BALANCE SHEET OFFSETTING

SSMHC's interest rate swap agreements allow for net settlements of payment in the normal course as well as offsetting of all contracts with a given counterparty in the event of default or bankruptcy of one of the two parties of the transaction. As of December 31, 2013 and 2012, there was no collateral posted for the interest rate swaps. In addition, SSMHC's security lending agreement allows for the sale of the collateral to settle securities lending activities should a deficit arise.

The net presentation of SSMHC's financial instruments subject to rights of offset are summarized as follows:

Description	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets	Net Amount
As of December 31, 2013:					
Derivatives	$ 88,019	$ -	$ 88,019	$ -	$ 88,019
Securities lending agreements	207,345	-	207,345	207,345	-
As of December 31, 2012:					
Derivatives	135,152	-	135,152	-	135,152
Securities lending agreements	197,188	-	197,188	197,188	-

18. INCOME TAXES

The components of income tax expense for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Current tax expense:		
Federal	$ 1,692	$ -
State	(20)	-
	1,672	-
Deferred tax expense — Federal	-	-
	$ 1,672	$ -

Deferred income taxes reflect the tax impact of carryforwards and temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities. Deferred tax assets and liabilities are classified as either current or non-current based on the classification of the related liability or asset for financial reporting. A deferred tax asset or liability that is not related to an asset or liability for financial reporting, including deferred taxes related to carryforwards, is classified according to the expected reversal date of the temporary differences as of the end of the year. The components of deferred taxes are as follows:

	2013	2012
Current:		
Accrued employee compensation	$ 10,167	$ 970
Doubtful accounts	3,940	3,782
Other non-deductible liabilities	4,688	487
Other	(1,466)	(90)
Valuation allowance	(17,329)	(5,149)
Net current	-	-
Long-term:		
Net operating loss and credit carryforwards	332,916	179,329
Depreciable and amortizable assets	(97,943)	1,252
Other noncurrent non-deductible liabilities	7,508	145
Unrealized (gains) losses	(3,490)	54
Investment in subsidiaries	(19,100)	(13)
Other	2,004	906
Valuation allowance	(221,895)	(181,673)
Net long-term	-	-
Net deferred income tax assets	$ -	$ -
Deferred tax assets	$ 365,912	$ 187,084
Deferred tax liabilities	(126,688)	(262)
Less valuation allowance	(239,224)	(186,822)
Net deferred taxes	$ -	$ -

As of December 31, 2013 and 2012, the deferred income tax benefits were recorded net of a valuation allowance of $239,224 and $186,822 primarily due to net operating loss (NOL) carryforwards available related to its for-profit subsidiaries which expire between 2014 and 2034. A valuation allowance was provided because it is more likely than not that the net operating losses will expire unutilized. During the year ended December 31, 2013, SSMHC increased the valuation allowance by an additional $26,323 based on 2013 net losses and $26,079 for tax losses generated due to acquisitions. During the year ended December 31, 2012, SSMHC increased the valuation allowance by an additional $16,953 based on 2012 net losses.

A reconciliation of expected income tax expense, computed by applying the statutory federal income tax rate (34%) to income before income taxes is as follows

	2013	2012
Income tax expense at statutory rate	$ 43,634	$ 70,134
Reduction in income tax resulting from:		
Tax exempt income	(13,232)	(51,059)
State taxes	(2,407)	(2,122)
Change in valuation allowance on net operating loss	(26,323)	(16,953)
	$ 1,672	$ -

SSMHC files income tax returns in the U.S. federal jurisdiction and in various state jurisdictions. SSMHC is no longer subject to U.S. or state income tax examinations by tax authorities for years before 2009. Tax returns for DHS for the years ended 2010 and 2011 are currently under examination by the IRS. The settlement of the tax examination is not expected to have a material impact on the consolidated financial statements.

Cash Paid for Income Taxes — Cash paid for income taxes totaled $1,603 and $0 for the periods ended December 31, 2013 and 2012, respectively.

19. NET ASSETS

SSMHC reports the noncontrolling interest in the net assets of consolidated subsidiaries as a separate component of the appropriate class of net assets. The reconciliation of noncontrolling interest reported in unrestricted net assets is as follows:

	Total	SSMHC Unrestricted Net Assets	Noncontrolling Interest
Unrestricted net assets — January 1, 2012	$ 1,272,214	$ 1,260,018	$ 12,196
Excess of revenues over expenses	210,226	206,276	3,950
Distributions to noncontrolling owners	(3,966)	-	(3,966)
Contributions	14,410	7,205	7,205
Other — net	13,992	14,145	(153)
Change in unrestricted net assets	234,662	227,626	7,036
Unrestricted net assets — December 31, 2012	1,506,876	1,487,644	19,232
Excess of revenues over expenses	131,361	126,662	4,699
Distributions to noncontrolling owners	(3,618)	-	(3,618)
Contributions	20	10	10
Other — net	267,802	267,802	-
Change in unrestricted net assets	395,565	394,474	1,091
Unrestricted net assets — December 31, 2013	$ 1,902,441	$ 1,882,118	$ 20,323

20. FUNCTIONAL EXPENSES

SSMHC provides general health care services to residents within its geographic locations. Expenses related to providing these services are as follows:

	2013	2012
Health care services	$3,586,442	$3,054,404
General and administrative	292,708	205,336
Fundraising	9,809	9,249
Total expenses	$3,888,959	$3,268,989

21. COMMITMENTS AND CONTINGENT LIABILITIES

Leases for property and equipment that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operating expense on a straight-line basis over the term of the lease.

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

2014	$ 46,249
2015	40,874
2016	33,122
2017	26,071
2018	20,822
Thereafter	38,716
Total minimum lease payments	$205,854

Total rental expense was approximately $51,208 and $46,083 in 2013 and 2012, respectively.

SSMHC has outstanding letters of credit of $15,419 and $12,605 at December 31, 2013 and 2012, respectively. There were no outstanding draws on these letters of credit.

At December 31, 2013, SSMHC has entered into construction projects for new facilities and capital improvements to existing facilities. The commitments for these projects totaled approximately $232,398. As of December 31, 2013, SSMHC has unmet commitments of approximately $143,322, which will be financed with board-designated assets, project funds or cash generated from operations. Of this amount, $15,000 will be reimbursed by a third party upon payment.

As part of acquisition agreements in Wisconsin and Missouri, SSMHC has committed an additional $80,000 for facility improvements to be paid out from 2014 to 2018.

SSMHCC has guaranteed that certain lease payments will be made by some of its equity investments. The amount of future lease payments guaranteed by SSMHCC totaled $78 and $109 at December 31, 2013 and 2012, respectively. In addition, SSMHC has entered into certain other income guarantees with outside entities to be paid out from 2014 through 2018 which totaled $95,250 at December 31, 2013.

Certain of SSMHC's hospitals are part of a nationwide investigation to determine if implantable cardioverter defibrillator (ICD) procedures from 2002 to 2010 complied with Medicare coverage requirements. In August 2012, the Department of Justice (DOJ) released the patient conditions and criteria for the medical necessity of the implantation of ICDs in Medicare beneficiaries and how the DOJ will enforce the repayment obligations of hospitals. As of December 31, 2013, management has established a reserve of $5,700 to reflect the current estimate of probable liability.

SSMHC is involved in litigation and regulatory investigations arising in the normal course of business. After consultation with legal counsel, it is management's opinion that these matters will be resolved without a material adverse effect on SSMHC's consolidated financial position or consolidated results of operations.

22. SUBSEQUENT EVENTS

For the year ended December 31, 2013, SSMHC has evaluated subsequent events for potential recognition and disclosure through April 9, 2014, the date the financial statements were available for issuance.

* * * * * *

SSM HEALTH CARE ADDITIONAL INFORMATION

SSM HEALTH CARE

CONSOLIDATING SCHEDULE — BALANCE SHEET INFORMATION
AS OF DECEMBER 31, 2013
(In thousands)

	Credit Group	Other Entities	Eliminations	Total
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 13,550	$ 54,625	$ -	$ 68,175
Short-term investments	111,445	44,199	-	155,644
Current portion of assets limited as to use	231,319	48,050	-	279,369
Patient accounts receivable — less allowance for uncollectible accounts	485,539	64,454	(22,087)	527,906
Premium receivable — less allowance for uncollectible accounts	-	6,665	-	6,665
Other receivables	24,858	102,571	(5,772)	121,657
Inventories, prepaid expenses, and other	75,345	22,751	(2,074)	96,022
Estimated third-party payor settlements	11,795	-	-	11,795
Total current assets	953,851	343,315	(29,933)	1,267,233
ASSETS LIMITED AS TO USE OR RESTRICTED — Excluding current portion	1,757,216	448,461	-	2,205,677
PROPERTY AND EQUIPMENT — Net	1,568,973	292,285	-	1,861,258
OTHER ASSETS:				
Deferred financing costs — net	6,261	112	-	6,373
Goodwill	28,312	98,942	-	127,254
Intangibles — net	78,264	233,125	-	311,389
Investments in unconsolidated entities	228,535	16,175	(166,584)	78,126
Other	29,413	4,093	(23,411)	10,095
Total other assets	370,785	352,447	(189,995)	533,237
TOTAL	$4,650,825	$1,436,508	$(219,928)	$5,867,405
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Revolving line of credit	$ -	$ 85,225	$ -	$ 85,225
Current portion of long-term debt	40,184	11,552	(535)	51,201
Accounts payable and accrued expenses	299,817	396,076	(29,609)	666,284
Notes payable	400,000	-	-	400,000
Unearned premiums	-	39,683	-	39,683
Payable under securities lending agreements	206,438	907	-	207,345
Estimated third-party payor settlements	133,396	8	-	133,404
Total current liabilities	1,079,835	533,451	(30,144)	1,583,142
LONG-TERM DEBT — Excluding current portion	1,241,679	118,628	(23,412)	1,336,895
ESTIMATED SELF-INSURANCE OBLIGATIONS	51,409	16,661	-	68,070
UNFUNDED PENSION LIABILITY	667,307	-	-	667,307
OTHER LIABILITIES	183,664	60,843	-	244,507
Total liabilities	3,223,894	729,583	(53,556)	3,899,921
NET ASSETS:				
Unrestricted:				
Noncontrolling interest in subsidiaries	17,445	2,878	-	20,323
SSM Health Care unrestricted net assets	1,350,810	647,688	(116,380)	1,882,118
Total unrestricted net assets	1,368,255	650,566	(116,380)	1,902,441
Temporarily restricted	36,389	42,440	(36,073)	42,756
Permanently restricted	22,287	13,919	(13,919)	22,287
Total net assets	1,426,931	706,925	(166,372)	1,967,484
TOTAL	$4,650,825	$1,436,508	$(219,928)	$5,867,405

SSM HEALTH CARE

CONSOLIDATING SCHEDULE — BALANCE SHEET INFORMATION
AS OF DECEMBER 31, 2012
(In thousands)

ASSETS	Credit Group	Other Entities	Eliminations	Total
CURRENT ASSETS:				
Cash and cash equivalents	$ 17,846	$ 9,734	$ -	$ 27,580
Short-term investments	77,572	43,600	-	121,172
Current portion of assets limited as to use	221,095	29,400	-	250,495
Patient accounts receivable — net	499,891	18,918	-	518,809
Other receivables	23,140	4,501	(4,073)	23,568
Inventories, prepaid expenses, and other	72,880	6,932	(2,365)	77,447
Estimated third-party payor settlements	12,035	-	-	12,035
Total current assets	924,459	113,085	(6,438)	1,031,106
ASSETS LIMITED AS TO USE OR RESTRICTED — Excluding current portion	1,661,872	151,109	-	1,812,981
PROPERTY AND EQUIPMENT — Net	1,539,554	39,498	-	1,579,052
OTHER ASSETS:				
Deferred financing costs — net	6,753	-	-	6,753
Goodwill	28,442	3,513	-	31,955
Intangibles — net	68,462	94	-	68,556
Investments in unconsolidated entities	315,415	12,505	(131,843)	196,077
Other	28,577	293	(23,160)	5,710
Total other assets	447,649	16,405	(155,003)	309,051
TOTAL	$4,573,534	$320,097	$(161,441)	$4,732,190
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Revolving line of credit	$ 37,000	$ 225	$ -	$ 37,225
Current portion of long-term debt	41,144	764	(595)	41,313
Accounts payable and accrued expenses	272,578	99,020	(6,062)	365,536
Payable under securities lending agreements	195,165	2,023	-	197,188
Estimated third-party payor settlements	44,522	2	-	44,524
Total current liabilities	590,409	102,034	(6,657)	685,786
LONG-TERM DEBT — Excluding current portion	1,272,314	30,096	(23,155)	1,279,255
ESTIMATED SELF-INSURANCE OBLIGATIONS	63,635	9,039	-	72,674
UNFUNDED PENSION LIABILITY	890,629	2,428	-	893,057
OTHER LIABILITIES	225,917	8,882	-	234,799
Total liabilities	3,042,904	152,479	(29,812)	3,165,571
NET ASSETS:				
Unrestricted:				
Noncontrolling interest in subsidiaries	16,579	2,653	-	19,232
SSM Health Care unrestricted net assets	1,460,117	112,866	(85,339)	1,487,644
Total unrestricted net assets	1,476,696	115,519	(85,339)	1,506,876
Temporarily restricted	34,934	40,413	(34,604)	40,743
Permanently restricted	19,000	11,686	(11,686)	19,000
Total net assets	1,530,630	167,618	(131,629)	1,566,619
TOTAL	$4,573,534	$320,097	$(161,441)	$4,732,190

SSM HEALTH CARE

CONSOLIDATING SCHEDULE — STATEMENT OF OPERATIONS INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013
(In thousands)

	Credit Group	Other Entities	Eliminations	Total
OPERATING REVENUES AND OTHER SUPPORT:				
Net patient service revenues before provision for doubtful accounts	$3,108,070	$275,147	$ (66,066)	$3,317,151
Less provision for doubtful accounts	(190,118)	(14,576)	-	(204,694)
Net patient service revenues	2,917,952	260,571	(66,066)	3,112,457
Premiums earned	9,882	359,933	(8,935)	360,880
Investment income	52,672	17,639	-	70,311
Other revenue	204,280	277,111	(216,076)	265,315
Net assets released from restrictions	174	5,501	-	5,675
Total operating revenues and other support	3,184,960	920,755	(291,077)	3,814,638
OPERATING EXPENSES:				
Salaries and benefits	1,654,643	547,260	(169,956)	2,031,947
Medical claims	-	208,054	(66,066)	141,988
Supplies	557,580	57,759	(4)	615,335
Professional fees and other	742,135	156,700	(41,378)	857,457
Interest	43,230	4,332	(876)	46,686
Depreciation and amortization	171,319	17,492	-	188,811
Impairment loss	6,735	-	-	6,735
Total operating expenses	3,175,642	991,597	(278,280)	3,888,959
INCOME (LOSS) FROM OPERATIONS	9,318	(70,842)	(12,797)	(74,321)
NONOPERATING GAINS AND (LOSSES):				
Investment income	134,072	6,672	-	140,744
Loss from early extinguishment of debt	-	-	-	-
Other — net	496	(124)	-	372
Total nonoperating gains and (losses) — net	134,568	6,548	-	141,116
EXCESS OF REVENUES OVER EXPENSES BEFORE CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS AND INCOME TAXES	143,886	(64,294)	(12,797)	66,795
CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS	60,512	1,027	-	61,539
EXCESS OF REVENUES OVER EXPENSES BEFORE INCOME TAXES	204,398	(63,267)	(12,797)	128,334
INCOME TAXES (BENEFITS)	1,714	(42)	-	1,672
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	$ 202,684	$ (63,225)	$ (12,797)	$ 126,662

SSM HEALTH CARE

CONSOLIDATING SCHEDULE — STATEMENT OF OPERATIONS INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2012
(In thousands)

	Credit Group	Other Entities	Eliminations	Total
OPERATING REVENUES AND OTHER SUPPORT:				
Net patient service revenues before provision for doubtful accounts	$3,044,915	$173,862	$ -	$3,218,777
Less provision for doubtful accounts	(148,805)	(8,425)	-	(157,230)
Net patient service revenues	2,896,110	165,437	-	3,061,547
Premiums earned	8,971	1,399	-	10,370
Investment income	17,952	13,215	-	31,167
Other revenue	173,067	229,570	(182,000)	220,637
Net assets released from restrictions	123	3,308	-	3,431
Total operating revenues and other support	3,096,223	412,929	(182,000)	3,327,152
OPERATING EXPENSES:				
Salaries and benefits	1,556,987	364,667	(141,868)	1,779,786
Supplies	539,330	17,781	-	557,111
Professional fees and other	678,131	93,527	(34,124)	737,534
Interest	37,015	1,639	(971)	37,683
Depreciation and amortization	154,137	2,738	-	156,875
Total operating expenses	2,965,600	480,352	(176,963)	3,268,989
INCOME (LOSS) FROM OPERATIONS	130,623	(67,423)	(5,037)	58,163
NONOPERATING GAINS AND (LOSSES):				
Investment income	146,489	608	-	147,097
Loss from early extinguishment of debt	(1,125)	-	-	(1,125)
Other — net	1,850	(15)	-	1,835
Total nonoperating gains and (losses) — net	147,214	593	-	147,807
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES BEFORE CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS	277,837	(66,830)	(5,037)	205,970
CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS	306	-	-	306
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	$ 278,143	$ (66,830)	$ (5,037)	$ 206,276

SSM HEALTH CARE

NOTES TO CONSOLIDATING ADDITIONAL INFORMATION
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

1. PRINCIPLES OF INCLUSION

The Credit Group is made up of SSM Health Care Corporation and its wholly owned Designated Affiliates as defined in the Master Trust Indenture, including the activities, assets, and liabilities of wholly owned and partially owned subsidiaries that are consolidated under generally accepted accounting principles. The Credit Group does not include DHS, SSMHC's physician group practices, charitable foundations, and the interests of SSMHC in various other minor subsidiaries and ancillary joint ventures that are referred to herein as Other Entities. In 2013 and 2012, the assets of the Credit Group represented 76% and 93% of the consolidated total, and the total operating revenues represented 78% and 88% of the consolidated total, respectively.

2. PRESENTATION

Entities included in the Credit Group do not reflect their equity interest in Other Entities on their balance sheets, except for beneficial interest in foundations.

3. OBLIGATIONS

Included in Other Entities are certain entities with negative net assets totaling $58,148 and $39,472 at December 31, 2013 and 2012, respectively. The Credit Group may be required to provide operating capital to these entities to ensure their solvency.

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