

**COMMUNITY HEALTH NETWORK, INC.
& AFFILIATED ENTITIES
Continuing Disclosure Information
As of and for the Six Months Ended June 30, 2015 and 2014**

Community Health Network, Inc., an Indiana non-profit corporation and its non-profit and for-profit affiliates (collectively the “Network”) comprises a full-service integrated health delivery system in central Indiana. The Network is a central Indiana health system consisting of eight acute care and/or specialty hospitals, seven immediate care centers, over 500 primary care and specialty employed physicians, forty ambulatory care centers, nine freestanding surgery centers, seven outpatient imaging centers, two ambulatory endoscopy centers, four nursing homes and assisted living facilities.

The principal operating subsidiaries consist of the following:

- Community Health Network, Inc. -(Credit Group member)
- Indiana Heart Hospital, LLC d/b/a Community Heart and Vascular Hospital- (Credit Group member)
- Visionary Enterprises, Inc. -(Credit Group member)
- Community Howard Regional Health, Inc.- (Credit Group member)
- Community Hospital of Anderson and Madison County, Inc.- (Credit Group member)
- Indiana Osteopathic Hospital, Inc. and Affiliates d/b/a Community Westview Hospital
- Community Physicians of Indiana, Inc. d/b/a Community Physicians Network
- Community Health Network Foundation, Inc.
- Community Home Health Services, Inc.

Effective September 18, 2014, the Network acquired a hotel business and related assets. On December 23, 2014, the Network ceased operations of the hotel.

Effective October 1, 2014, the Indiana Heart Hospital, LLC (“TIHH”) was merged into Community Health Network, Inc. (“CHNw”). Thus, TIHH’s financial results are combined with CHNw’s financial results beginning October 1, 2014.

Effective December 19, 2014, the Network ceased operations of Midwest Racquetball, Inc. a wholly owned subsidiary of Community Howard Regional Health, Inc. Midwest Racquetball, Inc. was legally dissolved December 22, 2014.

Historical Financial Information

The unaudited consolidated financial statements include all adjustments, consisting of normal recurring and other accruals, which the management of the Network considers necessary for a fair presentation of financial position and results of operations and changes in net assets for these periods. Operating results for the six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2015. The audited consolidated financial statements at December 31, 2014 and 2013 are posted on the Digital Assurance Certification, L.C.C. (“DAC”) website at www.dac-ey.com. The Network currently participates in the DAC disclosure system.

Community Health Network, Inc. and Affiliates
Summary Financial Information
Consolidated Balance Sheets

	<u>June 30,</u> <u>2015</u> <u>(unaudited)</u>	<u>December 31,</u> <u>2014</u> <u>(audited)</u>	<u>June 30,</u> <u>2014</u> <u>(unaudited)</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 226.1	\$ 230.7	\$ 222.1
Restricted cash	-	-	-
Patient accounts receivable, net	247.7	221.9	204.3
Other current assets	125.4	120.8	151.2
Total current assets	<u>599.2</u>	<u>573.4</u>	<u>577.6</u>
Assets limited as to use			
Board designated funds	614.1	599.2	599.1
Funds held by trustee, net of current portion	115.4	65.5	65.5
Reinsurance trust assets	14.1	13.6	13.3
Property, plant and equipment, net	810.3	809.0	802.4
Capitalized software costs, net	69.4	63.7	62.8
Deferred financing costs, net	6.7	6.5	7.0
Due to unconsolidated affiliates and related parties	6.2	(1.0)	32.0
Other assets	39.3	40.5	13.6
Total assets	<u>\$ 2,274.7</u>	<u>\$ 2,170.4</u>	<u>\$ 2,173.3</u>
Liabilities and Net Assets			
Current liabilities			
Current portion of long-term debt	\$ 23.4	\$ 22.4	\$ 21.9
Short-term borrowings	-	-	-
Other current liabilities	221.4	246.9	252.4
Total current liabilities	<u>244.8</u>	<u>269.3</u>	<u>274.3</u>
Accrued pension benefit cost	(163.5)	(14.3)	11.2
Other liabilities	15.0	13.3	11.0
Pension underfunded liability- long-term	249.3	249.3	104.8
Long-term debt, net of current portion	800.3	612.3	620.7
Total liabilities	<u>1,145.9</u>	<u>1,129.9</u>	<u>1,022.0</u>
Net assets			
Unrestricted	1,096.5	1,010.9	1,123.8
Temporarily restricted	6.5	8.1	7.2
Permanently restricted	4.6	4.5	4.4
Total net assets before non-controlling interest	<u>1,107.6</u>	<u>1,023.5</u>	<u>1,135.4</u>
Non-controlling interest	21.2	17.0	15.9
Total net assets	<u>1,128.8</u>	<u>1,040.5</u>	<u>1,151.3</u>
Total liabilities and net assets	<u>\$ 2,274.7</u>	<u>\$ 2,170.4</u>	<u>\$ 2,173.3</u>

Community Health Network, Inc. and Affiliates
Unaudited Summary Financial Information
Consolidated Statements of Operations and Changes in Net Assets

(\$ in millions)	Six Months Ended	
	June 30,	
	2015	2014
Change in Unrestricted Net Assets		
Total unrestricted revenues and gains	\$ 990.8	\$ 943.9
Operating expenses		
Salaries, benefits and pension	523.1	492.0
Other expenses	324.6	313.6
Depreciation and amortization	40.4	40.3
Interest	10.6	10.5
Total operating expenses	898.7	856.4
Income from operations	92.1	87.5
Investment income- realized/unrealized	5.4	39.3
Other, net	(.5)	-
Excess of revenues over expenses before federal income taxes	97.0	126.8
Provision for income taxes	3.8	7.7
Excess of revenues over expenses	93.2	119.1
Less: Excess of revenues over expenses attributable to non-controlling interest	(9.1)	(8.0)
Excess of revenues over expenses attributable to Network	84.1	111.1
Change in non-controlling interest	4.2	(2.3)
Other changes	1.5	1.1
Increase in unrestricted net assets	89.8	109.9
Change in Temporarily Restricted Net Assets		
Decrease in temporarily restricted net assets	(1.6)	-
Change in Permanently Restricted Net Assets		
Increase in permanently restricted net assets	.1	-
Increase in net assets	88.3	109.9
Net assets, beginning of period	1,040.5	1,041.4
Net assets, end of period	\$1,128.8	\$ 1,151.3

Management Discussion of Historical Financial Performance

Six Months Ended June 30, 2015

The Network's operating margin for the six months ended June 30, 2015 was an operating margin of 9.3% or \$92.1 million as compared to a planned operating margin of 5.1% or \$48.8 million and a prior year margin of 9.3% or \$87.5 million.

The Network's YTD 2015 operating margin was impacted by the following as compared to prior year:

- Inpatient
 - Inpatient admissions increased 4.3%. All Network inpatient facilities experienced an increase in inpatient admissions except for the Network's West hospital which experienced a decrease primarily due to the closures of its psych and rehab business in 2014 and the Network's Kokomo hospital;
 - Inpatient surgeries increased by 5.3%. All Network facilities experienced an increase in inpatient surgeries except for the Network's East hospital which experienced a slight decrease;
 - Births increased 2.0%. All Network facilities experienced an increase in births except for the Network's Kokomo hospital.

- Outpatient
 - Emergency room visits increased 9.0%. All Network facilities experienced an increase;
 - Employed physician wRVUs increased 13.0%;
 - Imaging scans increased 9.3%. All Network facilities experienced an increase except for the Network's Kokomo hospital;
 - Outpatient surgeries increased 1.4%. The Network's free standing Indiana surgery centers experienced a 6.8% increase while the Network's hospital based surgeries increased 1.1%

- Uncompensated Care , Payor Mix and Case Mix Index
 - Uncompensated care as a percentage of total patient revenue was 3.3% for the six months ended June 30, 2015 as compared to 4.4% for the six months ended June 30, 2014 and a budgeted percentage of 4.6%.
 - The Network's Case Mix Index improved from 1.48 as June 30, 2014 to 1.52 at June 30, 2015.
 - Comparing YTD 2015 to YTD 2014, the Network experienced a favorable shift in self-pay payor mix and other commercial. The Network's payer mix is as follows:

Payer Mix	June 30, 2015	June 30, 2014
Medicare	44.1%	44.3%
Medicaid	14.2%	14.9%
Wellpoint	18.4%	19.2%
Self-pay	5.1%	6.1%
Other commercial	18.2%	15.5%

- The improvement in payor is driven by more patients becoming covered by insurance products including the Anthem Exchange products as well as HIP 2.0.

- The Network's revenue deductions including bad debts as a percentage of total patient revenue decreased from 66.6% for the six months ended June 30, 2014 to 66.3% for the six months ended June 30, 2015.

The Network's total margin for the six months ended June 30, 2015 was 8.5% as compared to a prior year total margin of 11.8%. The Network's total margin was favorably impacted by gains recognized on the Network's board designated funds. The Network recognized unrealized gains of \$.3 million plus \$5.1 million of dividends and interest on its board designated funds for the six months ended June 30, 2015. The Network marks to market its investments on a monthly basis.

The net days in accounts receivable was 48 days for the Network at June 30, 2015 as compared to 42 days at June 30, 2014. The Network's days cash on hand was 177 days at June 30, 2015 as compared to 182 days at June 30, 2014.

On April 13, 2015, the Network Board of Directors approved management's request to terminate its defined benefit pension plan effective June 30, 2015. On April 14, 2015, the Network drew down \$150.0 million on a bridge line of credit. On April 15, 2015, the \$150.0 million was used to prefund the Network's defined benefit retirement plan. Proceeds of the plan will not be distributed to participants until the Network receives a favorable determination letter from the Internal Revenue Service. The Network anticipates receiving such a letter during 2016.

In June 2015, the Network issued \$202.0 million of taxable bonds to repay the \$150.0 million bridge line of credit referenced above as well to pay the costs of various construction and renovations projects.

In July 2015, the Network paid \$20.4 million as a settlement for a billing matter with the federal government.