SSM HEALTH (SSMH)

Annual Compliance Filing

Related to the

Period Ending December 31, 2016

SSMHealth

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Report for the Period Ended December 31, 2016

SSM HEALTH (SSMH)

Annual Disclosure Package

Consolidated Financial Statements for the Twelve Months and Three Months ended December 31, 2016

SSM HEALTH

ADDITIONAL BALANCE SHEET INFORMATION
AS OF DECEMBER 31, 2016
(In thousands)

Unaudited

	CREDIT GROUP	OTHER ENTITIES	ELIMINATIONS	GRAND TOTAL
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 101,752	$ 65,796	-	$ 167,548
Investments	12,621	21,238	-	33,859
Current portion of assets limited as to use	223,755	110,802	-	334,557
Patients accounts receivable, less allowance for uncollectible accounts	648,809	22,491	-	671,300
Premium receivable	-	8,018	-	8,018
Other receivables	298,941	19,330	(19,688)	298,583
Inventories, prepaid expenses, and other	139,859	4,334	(1,101)	143,092
Estimated third-party payor settlements	22,345	15,904	-	38,249
Total current assets	1,448,082	267,913	(20,789)	1,695,206
ASSETS LIMITED AS TO USE OR RESTRICTED — Excluding current portion	2,092,275	227,534	-	2,319,809
PROPERTY AND EQUIPMENT — Net	2,168,554	66,375	-	2,234,929
OTHER ASSETS:				
Goodwill	96,867	24,324	-	121,191
Intangibles — net	199,620	44,222	-	243,842
Investments in unconsolidated entities	251,802	3,466	(158,726)	96,542
Other	11,691	298	-	11,989
Total other assets	559,980	72,310	(158,726)	473,564
TOTAL	$ 6,268,891	$ 634,132	$ (179,515)	$ 6,723,508
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Revolving line of credit	$ 150,000	$ 125	$ -	$ 150,125
Current portion of long-term debt and capital lease obligations	34,906	181	-	35,087
Accounts payable, accrued expenses and other current liabilities	845,074	196,112	(20,775)	1,020,411
Commercial paper	399,870	-	-	399,870
Short-term borrowings	300,000	-	-	300,000
Unearned premiums	-	23,883	-	23,883
Payable under securities lending agreements	45,192	340	-	45,532
Estimated third-party payor settlements	132,412	25,746	-	158,158
Total current liabilities	1,907,454	246,387	(20,775)	2,133,066
LONG-TERM DEBT — Excluding current portion	1,255,891	6,991	-	1,262,882
ESTIMATED SELF-INSURANCE OBLIGATIONS	82,958	14,508	-	97,466
CAPITAL LEASE OBLIGATIONS — Excluding current portion	15,730	6,109	-	21,839
OTHER LIABILITIES	1,075,013	27,390	-	1,102,403
Total liabilities	4,337,046	301,385	(20,775)	4,617,656
NET ASSETS:				
Unrestricted:				
Noncontrolling interest in subsidiaries	151,418	3,639	-	155,057
SSM Health unrestricted net assets	1,709,547	261,997	(97,757)	1,873,787
Total unrestricted net assets	1,860,965	265,636	(97,757)	2,028,844
Temporarily restricted	42,626	48,068	(41,940)	48,754
Permanently restricted	28,254	19,043	(19,043)	28,254
Total net assets	1,931,845	332,747	(158,740)	2,105,852
TOTAL	$ 6,268,891	$ 634,132	$ (179,515)	$ 6,723,508

SSM HEALTH

ADDITIONAL INCOME STATEMENT INFORMATION
FOR THE PERIOD ENDED DECEMBER 31, 2016 Unaudited
(In thousands)

	CREDIT GROUP	OTHER ENTITIES	ELIMINATIONS	GRAND TOTAL
OPERATING REVENUES AND OTHER SUPPORT:				
Net patient service revenues	$ 4,488,938	$ 193,930	$ (462,626)	$ 4,220,242
Premiums earned	92,277	1,284,782	(68,192)	1,308,867
Investment income	17,082	19,485	-	36,567
Other revenue	567,744	283,315	(314,599)	536,460
Net assets released from restrictions	168	6,867	-	7,035
Total operating revenues and other support	5,166,209	1,788,379	(845,417)	6,109,171
OPERATING EXPENSES:				
Salaries and benefits	2,483,100	488,496	(248,934)	2,722,662
Medical claims		1,074,117	(509,569)	564,548
Supplies	1,134,326	22,862	-	1,157,188
Professional fees and other	1,163,742	240,965	(79,542)	1,325,165
Interest	56,140	1,406	(758)	56,788
Depreciation and amortization	252,794	20,014	-	272,808
Total operating expenses	5,090,102	1,847,860	(838,803)	6,099,159
INCOME FROM OPERATIONS	76,107	(59,481)	(6,614)	10,012
NONOPERATING GAINS AND (LOSSES):				
Investment (loss) income	87,570	(78)	-	87,492
Other — net	1,190	24	-	1,214
Total nonoperating gains — net	88,760	(54)	-	88,706
EXCESS OF REVENUES OVER EXPENSES BEFORE CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS AND INCOME TAXES	164,867	(59,535)	(6,614)	98,718
CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS	1,766	-	-	1,766
EXCESS OF REVENUES OVER EXPENSES BEFORE INCOME TAXES	166,633	(59,535)	(6,614)	100,484
INCOME TAX (BENEFIT) EXPENSE	(17,372)	18,490	-	1,118
EXCESS OF REVENUES OVER EXPENSES	$ 184,005	$ (78,025)	$ (6,614)	$ 99,366

SSM HEALTH

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2016 Unaudited
(In thousands)

	CREDIT GROUP	OTHER ENTITIES	ELIMINATIONS	GRAND TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	$ 104,187	$ (122,325)	$ (12,789)	$ (30,927)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Noncontrolling interest in acquisition	-	(1,198)	-	(1,198)
Pension related changes	120,635	-	-	120,635
Depreciation and amortization	252,795	20,013	-	272,808
Bad debts	277,120	9,534	-	286,654
Restricted contributions	(96)	(3,172)	-	(3,268)
Distributions to noncontrolling owners — net	5,274	328	-	5,602
Realized/unrealized gains and losses on investments — net	(83,776)	(15,342)	-	(99,118)
Equity in earnings - unconsolidated entities	(16,076)	(740)	-	(16,816)
Distributions - unconsolidated entities	8,602	3,479	-	12,081
Change in market value of interest rate swaps	(1,766)	-	-	(1,766)
Loss on disposal of assets	948	116	-	1,064
Changes in assets and liabilities:				
Short-term investments	38,816	(20,498)	-	18,318
Patient accounts receivable	(341,482)	(15,074)	(24,993)	(381,549)
Other receivables, inventories, prepaid expenses, and other	(19,926)	(3,213)	(44,232)	(67,371)
Accounts payable, accrued expenses, and other liabilities	104,133	(68,696)	69,782	105,219
Estimated self-insurance obligations	(2,643)	2,590	90	37
Net cash provided by (used in) operating activities	446,745	(214,198)	(12,142)	220,405
CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisitions of hospitals and health care entities— net of cash received	(6,622)	(2,345)	-	(8,967)
Increase in property and equipment — net	(327,335)	7,736	-	(319,599)
Net change in assets limited as to use or restricted	(5,536)	71,973	-	66,437
Net change in other assets	(33,611)	(18,744)	12,142	(40,213)
Net cash provided by (used in) investing activities	(373,104)	58,620	12,142	(302,342)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Borrowings on long-term debt	-	-	-	-
Payments on long-term debt	(36,130)	(133)	-	(36,263)
Net change in revolving line of credit	150,000	(27)	-	149,973
Net change in short-term borrowings and commercial paper	51,298	-	-	51,298
Distribution to noncntrl owners	(5,274)	(328)	-	(5,602)
Equity transfers	(203,254)	203,254	-	-
Restricted contributions	96	3,172	-	3,268
			-	
Net cash provided by (used in) financing activities	(43,264)	205,938	-	162,674
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,377	50,360	-	80,737
CASH AND CASH EQUIVALENTS — Beginning of year	71,375	15,436	-	86,811
CASH AND CASH EQUIVALENTS — 12/31/2016	$ 101,752	$ 65,796	$ -	$ 167,548

SSM HEALTH

ADDITIONAL OPERATING STATS INFORMATION
FOR THE PERIOD ENDED DECEMBER 31, 2016

Unaudited

	CREDIT GROUP	OTHER ENTITIES	ELIMINATIONS	GRAND TOTAL
BEDS				
LICENSED BEDS - TOTAL	4,616	-		4,616
STAFFED BEDS - TOTAL	3,927	-		3,927
ACUTE PATIENT SERVICES				
ADMISSIONS*	175,066	-		175,066
PATIENT DAYS*	852,677	-		852,677
AVERAGE LENGTH OF STAY	4.9	-		4.9
SKILLED PATIENT SERVICES				
ADMISSIONS*	1,190	-		1,190
PATIENT DAYS*	134,838	-		134,838
AVERAGE LENGTH OF STAY	113.3	-		113.3
OUTPATIENT SURGERIES	68,341	-		68,341
OUTPATIENT VISITS	1,587,389	-		1,587,389
EMERGENCY ROOM VISITS	765,866	-		765,866
PERCENTAGE OCCUPANCY**	68.7%	-		68.7%
PERCENTAGE OF NET REVENUES BY PAYOR MIX				
Medicare	29%	17%		28%
Medicaid	14%	3%		13%
Managed Care	47%	75%		49%
Other	10%	5%		10%
Total	100%	100%		100%

* Excludes newborns

** Of beds in service

SSM HEALTH

ASSETS LIMITED AS TO USE OR RESTRICTED
AS OF DECEMBER 31, 2016
(In thousands)

Unaudited

	CREDIT GROUP	OTHER ENTITIES	ELIMINATIONS	GRAND TOTAL
Board designated:				
Unrestricted Invest Assets	$ 1,935,125	$ 236,927	$ -	$ 2,172,052
Other Restrict Invest Asset	155,187		-	155,187
Reserves in regulated insurance company	17,715	12,816	-	30,531
Held by trustees:				
Project funds	-	-	-	-
Bond funds	34	-	-	34
Self-insurance	152,879	21,143	-	174,022
Funds held in escrow	-		-	
Collateral held under swap agreements	-		-	-
Collateral held under securities lending agreements	45,192	340	-	45,532
Total assets limited as to use	2,306,132	271,226	-	2,577,358
Temporarily restricted funds	687	48,067	-	48,754
Permanently restricted funds	9,211	19,043	-	28,254
Total assets restricted as to use	9,898	67,110	-	77,008
Total assets limited as to use or restricted	2,316,030	338,336	-	2,654,366
Less: current portion	(223,755)	(110,802)	-	(334,557)
Noncurrent portion	$ 2,092,275	$ 227,534	$ -	$ 2,319,809

SSM HEALTH

ADDITIONAL INCOME STATEMENT INFORMATION
FOR THE QUARTER ENDED DECEMBER 31, 2016 Unaudited
(In thousands)

	CREDIT GROUP	OTHER ENTITIES	ELIMINATIONS	GRAND TOTAL
OPERATING REVENUES AND OTHER SUPPORT:				
Net patient service revenues	$ 1,095,943	$ 52,530	$ (109,113)	$ 1,039,360
Premiums earned	23,540	324,582	(16,829)	331,293
Investment income	9,865	2,269	-	12,134
Other revenue	151,997	76,469	(84,222)	144,244
Net assets released from restrictions	76	2,519	-	2,595
Total operating revenues and other support	1,281,421	458,369	(210,164)	1,529,626
OPERATING EXPENSES:				
Salaries and benefits	630,247	125,833	(62,529)	693,551
Medical claims	-	269,681	(121,826)	147,855
Supplies	297,926	7,683	-	305,609
Professional fees and other	306,153	67,525	(20,708)	352,970
Interest	14,455	353	(187)	14,621
Depreciation and amortization	66,324	5,209	-	71,533
Total operating expenses	1,315,105	476,284	(205,250)	1,586,139
INCOME FROM OPERATIONS	(33,684)	(17,915)	(4,914)	(56,513)
NONOPERATING GAINS AND (LOSSES):				
Investment (loss) income	(18,310)	(72)	-	(18,382)
Other — net	194	(1)	-	193
Total nonoperating gains — net	(18,116)	(73)	-	(18,189)
EXCESS OF REVENUES OVER EXPENSES BEFORE CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS AND INCOME TAXES	(51,800)	(17,988)	(4,914)	(74,702)
CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS	61,643	-	-	61,643
EXCESS OF REVENUES OVER EXPENSES BEFORE INCOME TAXES	9,843	(17,988)	(4,914)	(13,059)
INCOME TAX (BENEFIT) EXPENSE	(17,838)	18,500	-	662
EXCESS OF REVENUES OVER EXPENSES	$ 27,681	$ (36,488)	$ (4,914)	$ (13,721)

SSM HEALTH

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTER ENDED DECEMBER 31, 2016 Unaudited
(In thousands)

	CREDIT GROUP	OTHER ENTITIES	ELIMINATIONS	GRAND TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	$ (145,055)	6,679	$ (7,784)	(146,160)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Noncontrolling interest in acquisition	-	(1,198)	-	(1,198)
Pension related changes	120,635	-	-	120,635
Depreciation and amortization	66,325	5,208	-	71,533
Bad debts	74,383	2,418	-	76,801
Restricted contributions	9,277	(2,736)	-	6,541
Contributions/distributions to noncontrolling owners — net	1,903	97	-	2,000
Realized/unrealized gains and losses on investments — net	5,333	(331)	-	5,002
Change in valuation of investments in unconsolidated entities	(6,118)	(1,805)	(5,008)	(12,931)
Distributions - unconsolidated entities	8,602	3,479	-	12,081
Change in market value of interest rate swaps	(61,643)	-	-	(61,643)
(Gain) loss on disposal of assets	1,141	(4)	-	1,137
Changes in assets and liabilities:				
Short-term investments	(16,849)	36,706	-	19,857
Patient accounts receivable	(39,988)	384	(24,993)	(64,597)
Other receivables, inventories, prepaid expenses, and other	(4,718)	6,127	(35,703)	(34,294)
Accounts payable, accrued expenses, and other liabilities	15,857	(89,446)	61,701	(11,888)
Estimated self-insurance obligations	(4,959)	784	90	(4,085)
Net cash provided by (used in) operating activities	24,126	(33,638)	(11,697)	(21,209)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition of hospital and health care entities - net of cash received	(6,622)	(2,345)	-	(8,967)
Increase in property and equipment — net	(68,659)	14,533	-	(54,126)
Net change in assets limited as to use or restricted	22,319	77,362	-	99,681
Net change in other assets	(33,611)	(18,744)	12,142	(40,213)
Net cash provided by (used in) investing activities	(86,573)	70,806	12,142	(3,625)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Borrowings on long-term debt	(50,846)	-	-	(50,846)
Payments on long-term debt	(1,869)	405	(445)	(1,909)
Net change in revolving line of credit	147,100	-	-	147,100
Net change in short-term borrowings and commercial paper	51,298	-	-	51,298
Distribution to noncntrl owners	(1,903)	(97)	-	(2,000)
Equity transfers	4	(4)	-	-
Restricted contributions	(9,277)	2,736	-	(6,541)
Net cash provided by (used in) financing activities	134,507	3,040	(445)	137,102
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	72,060	40,208	-	112,268
CASH AND CASH EQUIVALENTS — 9/30/2016	29,692	25,588	-	55,280
CASH AND CASH EQUIVALENTS — 12/31/2016	$ 101,752	65,796	$ -	167,548

SSM HEALTH

ADDITIONAL OPERATING STATS INFORMATION
FOR THE QUARTER ENDED DECEMBER 31, 2016

Unaudited

	CREDIT GROUP	OTHER ENTITIES	ELIMINATIONS	GRAND TOTAL
BEDS				
LICENSED BEDS - TOTAL	4,616	-		4,616
STAFFED BEDS - TOTAL	3,927	-		3,927
ACUTE PATIENT SERVICES				
ADMISSIONS*	43,454	-		43,454
PATIENT DAYS*	212,762	-		212,762
AVERAGE LENGTH OF STAY	4.9	-		4.9
SKILLED PATIENT SERVICES				
ADMISSIONS*	283	-		283
PATIENT DAYS*	33,805	-		33,805
AVERAGE LENGTH OF STAY	119.5	-		119.5
OUTPATIENT SURGERIES	17,487	-		17,487
OUTPATIENT VISITS	397,837	-		397,837
EMERGENCY ROOM VISITS	186,210	-		186,210
PERCENTAGE OCCUPANCY**	68.2%	-		68.2%
PERCENTAGE OF NET REVENUES BY PAYOR MIX				
Medicare	29%	17%		28%
Medicaid	14%	3%		13%
Managed Care	47%	75%		49%
Other	10%	5%		10%
Total	100%	100%		100%

* Excludes newborns

** Of beds in service

SSM HEALTH (SSMH)

Annual Disclosure Package

Consolidated Financial Statements for the Twelve Months ended December 31, 2015

SSMHealth

SSM HEALTH

ADDITIONAL BALANCE SHEET INFORMATION
AS OF DECEMBER 31, 2015
(In thousands)

Unaudited

	CREDIT GROUP	OTHER ENTITIES	ELIMINATIONS	GRAND TOTAL
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 71,375	$ 15,436	$ -	$ 86,811
Investments	52,160	740	-	52,900
Current portion of assets limited as to use	206,986	180,404	-	387,390
Patients accounts receivable, less allowance for uncollectible accounts	499,362	102,949	(26,710)	575,601
Premium receivable	16	6,285	-	6,301
Other receivables	280,251	25,575	(43,643)	262,183
Inventories, prepaid expenses, and other	103,593	27,965	(1,327)	130,231
Estimated third-party payor settlements	8,177	14,260	1,419	23,856
Total current assets	1,221,920	373,614	(70,261)	1,525,273
ASSETS LIMITED AS TO USE OR RESTRICTED — Excluding current portion	2,086,340	225,949	-	2,312,289
PROPERTY AND EQUIPMENT — Net	1,941,891	169,741	-	2,111,632
OTHER ASSETS:				
Goodwill	87,148	20,082	-	107,230
Intangibles — net	215,416	52,978	-	268,394
Investments in unconsolidated entities	220,571	15,058	(145,932)	89,697
Other	31,521	296	(20,404)	11,413
Total other assets	554,656	88,414	(166,336)	476,734
TOTAL	$ 5,804,807	$ 857,718	$ (236,597)	$ 6,425,928
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Revolving line of credit	$ -	$ 152	$ -	$ 152
Current portion of long-term debt and capital lease obligations	33,788	1,638	(445)	34,981
Accounts payable, accrued expenses and other current liabilities	708,099	293,218	(69,797)	931,520
Commercial paper	349,937	-	-	349,937
Short-term borrowings	300,000	-	-	300,000
Unearned premiums	-	29,573	-	29,573
Payable under securities lending agreements	118,810	901	-	119,711
Estimated third-party payor settlements	128,600	30	-	128,630
Total current liabilities	1,639,234	325,512	(70,242)	1,894,504
LONG-TERM DEBT — Excluding current portion	1,290,482	27,437	(20,404)	1,297,515
ESTIMATED SELF-INSURANCE OBLIGATIONS	85,398	11,873	-	97,271
CAPITAL LEASE OBLIGATIONS — Excluding current portion	15,884	7,546	-	23,430
PENSION LIABILITY	687,327	-	-	687,327
OTHER LIABILITIES	258,824	30,278	-	289,102
Total liabilities	3,977,149	402,646	(90,646)	4,289,149
NET ASSETS:				
Unrestricted:				
Noncontrolling interest in subsidiaries	19,888	133,732	-	153,620
SSM Health unrestricted net assets	1,743,792	250,938	(90,975)	1,903,755
Total unrestricted net assets	1,763,680	384,670	(90,975)	2,057,375
Temporarily restricted	38,241	53,234	(37,808)	53,667
Permanently restricted	25,737	17,168	(17,168)	25,737
Total net assets	1,827,658	455,072	(145,951)	2,136,779
TOTAL	$ 5,804,807	$ 857,718	$ (236,597)	$ 6,425,928

SSM HEALTH

ADDITIONAL INCOME STATEMENT INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015
(In thousands)

Unaudited

	CREDIT GROUP	OTHER ENTITIES	ELIMINATIONS	GRAND TOTAL
OPERATING REVENUES AND OTHER SUPPORT:				
Net patient service revenues brfore provision for uncollectible accounts	$ 4,129,633	$ 361,975	$ (480,066)	$ 4,011,542
Less provision for uncollectible accounts	(179,164)	(30,311)	-	(209,475)
Net patient service revenues	3,950,469	331,664	(480,066)	3,802,067
Premiums earned	98,780	1,231,583	(72,137)	1,258,226
Investment income	2,342	957	-	3,299
Income from unconsolidated entities, net	14,605	4,231	-	18,836
Other revenue	388,883	250,736	(268,482)	371,137
Net assets released from restrictions	168	5,570	-	5,738
Total operating revenues and other support	4,455,247	1,824,741	(820,685)	5,459,303
OPERATING EXPENSES:				
Salaries and benefits	2,190,332	479,309	(235,444)	2,434,197
Curtailment gain on pension plans	(99,554)	-	-	(99,554)
Medical claims	-	1,044,693	(515,821)	528,872
Supplies	868,946	49,479	-	918,425
Professional fees and other	922,796	287,273	(75,576)	1,134,493
Interest	53,754	1,967	(820)	54,901
Depreciation and amortization	222,026	22,966	-	244,992
Impairment loss	13,246	-	-	13,246
Total operating expenses	4,171,546	1,885,687	(827,661)	5,229,572
INCOME FROM OPERATIONS	283,701	(60,946)	6,976	229,731
NONOPERATING GAINS AND (LOSSES):				
Investment (loss) income	(20,472)	-	-	(20,472)
Loss from early extinguishment of debt	-	-	-	-
Other — net	677	(4)	-	673
Total nonoperating gains — net	(19,795)	(4)	-	(19,799)
EXCESS OF REVENUES OVER EXPENSES BEFORE CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS AND INCOME TAXES	263,906	(60,950)	6,976	209,932
CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS	(1,402)	-	-	(1,402)
EXCESS OF REVENUES OVER EXPENSES BEFORE INCOME TAXES	262,504	(60,950)	6,976	208,530
INCOME TAX (BENEFIT) EXPENSE	(15,208)	17,573	-	2,365
EXCESS OF REVENUES OVER EXPENSES	277,712	(78,523)	6,976	206,165
EXCESS OF REVENUES OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	4,926	3,099	-	8,025
EXCESS OF REVENUES OVER EXPENSES - Net of noncontrolling interest	$ 272,786	$ (81,622)	$ 6,976	$ 198,140

SSM HEALTH

CONSOLIDATED STATEMENTS OF CASH FLOWS
AS OF DECEMBER 31, 2015 Unaudited
(In thousands)

	CREDIT GROUP	OTHER ENTITIES	ELIMINATIONS	GRAND TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	$ 192,356	$ 90,521	$ 4,129	$ 287,006
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Noncontrolling interest in acquisition	-	(128,700)	-	(128,700)
Pension related changes	68,901	-	-	68,901
Curtailment gain on pension plans	(99,554)	-	-	(99,554)
Depreciation and amortization	222,027	22,965	-	244,992
Impairment loss	13,246	-	-	13,246
Bad debts	181,119	30,316	-	211,435
Restricted contributions	(15,000)	(10,715)	-	(25,715)
Contributions/distributions to noncontrolling owners — net	4,077	335	-	4,412
Realized/unrealized gains and losses on investments — net	46,480	5,831	-	52,311
Equity in earnings - unconsolidated entities	(16,040)	(4,231)	1,435	(18,836)
Disrtributions - unconsolidated entities	12,197	6,559	-	18,756
Change in market value of interest rate swaps	1,402	-	-	1,402
(Gain) loss on disposal of assets	(18,801)	1,198	-	(17,603)
Changes in assets and liabilities:				
Short-term investments	17,236	72,528	-	89,764
Patient accounts receivable	(206,808)	(112,494)	6,772	(312,530)
Other receivables, inventories, prepaid expenses, and other	(100,195)	(16,109)	9,415	(106,889)
Accounts payable, accrued expenses, and other liabilities	133,278	31,076	(19,242)	145,112
Estimated self-insurance obligations	17,153	1,849	-	19,002
Net cash provided by (used in) operating activities	453,074	(9,071)	2,509	446,512
CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition of hospital - net of cash received	-	6,841	-	6,841
Increase in property and equipment — net	(232,292)	(14,229)	-	(246,521)
Net change in assets limited as to use or restricted	(189,130)	(13,616)	-	(202,746)
Net change in other assets	(18,461)	(10,089)	-	(28,550)
Net cash provided by (used in) investing activities	(439,883)	(31,093)	-	(470,976)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Borrowings on long-term debt	-	-	-	
Payments on long-term debt	(57,566)	(94)	(2,509)	(60,169)
Net change in revolving line of credit	(100,000)	(36)	-	(100,036)
Net change in short-term borrowings and commerical paper	154,618	-	-	154,618
Distribution to noncntrl owners	(4,077)	(335)	-	(4,412)
Restricted contributions	15,000	10,715	-	25,715
			-	
Net cash provided by (used in) financing activities	7,975	10,250	(2,509)	15,716
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21,166	(29,914)	-	(8,748)
CASH AND CASH EQUIVALENTS — Beginning of year	50,209	45,350	-	95,559
CASH AND CASH EQUIVALENTS — 12/31/2015	$ 71,375	$ 15,436	$ -	$ 86,811
NON CASH ACTIVITIES:				
Property and equipment received in contribution of hospital	$ -	$ (97,489)	$ -	$ (97,489)
Inventory received in contribution of hospital	$ -	$ (9,650)	$ -	$ (9,650)

SSM HEALTH

ADDITIONAL OPERATING STATS INFORMATION
AS OF DECEMBER 31, 2015

Unaudited

	CREDIT GROUP	OTHER ENTITIES	ELIMINATIONS	GRAND TOTAL
BEDS				
LICENSED BEDS - TOTAL	4,166	356		4,522
STAFFED BEDS - TOTAL	3,499	334		3,833
ACUTE PATIENT SERVICES				
ADMISSIONS*	157,810	5,884		163,694
PATIENT DAYS*	739,522	33,623		773,145
AVERAGE LENGTH OF STAY	4.7	5.7		4.7
SKILLED PATIENT SERVICES				
ADMISSIONS*	1,083	-		1,083
PATIENT DAYS*	133,151	-		133,151
AVERAGE LENGTH OF STAY	122.9	-		122.9
OUTPATIENT SURGERIES	63,214	1,709		64,923
OUTPATIENT VISITS	1,464,199	39,568		1,503,767
EMERGENCY ROOM VISITS	711,651	13,653		725,304
PERCENTAGE OCCUPANCY**	68.3%	82.5%		64.8%
PERCENTAGE OF NET REVENUES BY PAYOR MIX				
Medicare	29%	22%		29%
Medicaid	13%	11%		13%
Managed Care	46%	57%		47%
Other	12%	10%		11%
Total	100%	100%		100%

* Excludes newborns

** Of beds in service

SSM HEALTH

ASSETS LIMITED AS TO USE OR RESTRICTED
AS OF DECEMBER 31, 2015
(In thousands)

Unaudited

	CREDIT GROUP	OTHER ENTITIES	ELIMINATIONS	GRAND TOTAL
Board designated:				
Property and equipment	$ 1,864,531	$ 304,833	$ -	$ 2,169,364
Other	142,995	-	-	142,995
Reserves in regulated insurance company	6,068	12,994	-	19,062
Held by trustees:				
Project funds	170	-	-	170
Bond funds	2,652	-	-	2,652
Self-insurance	149,098	17,223	-	166,321
Funds held in escrow	-	-	-	-
Collateral held under swap agreements	-	-	-	-
Collateral held under securities lending agreements	118,810	901	-	119,711
Total assets limited as to use	2,284,324	335,951	-	2,620,275
Temporarily restricted funds	433	53,234	-	53,667
Permanently restricted funds	8,569	17,168	-	25,737
Total assets restricted as to use	9,002	70,402	-	79,404
Total assets limited as to use or restricted	2,293,326	406,353	-	2,699,679
Less: current portion	(206,986)	(180,404)	-	(387,390)
Noncurrent portion	$ 2,086,340	$ 225,949	$ -	$ 2,312,289

SSM HEALTH (SSMH)

Management Discussion and Analysis (MD&A)

concerning the

Consolidated Financial Statements for the Twelve months ended December 31, 2016

<u>This document is dated March 30, 2017.</u>

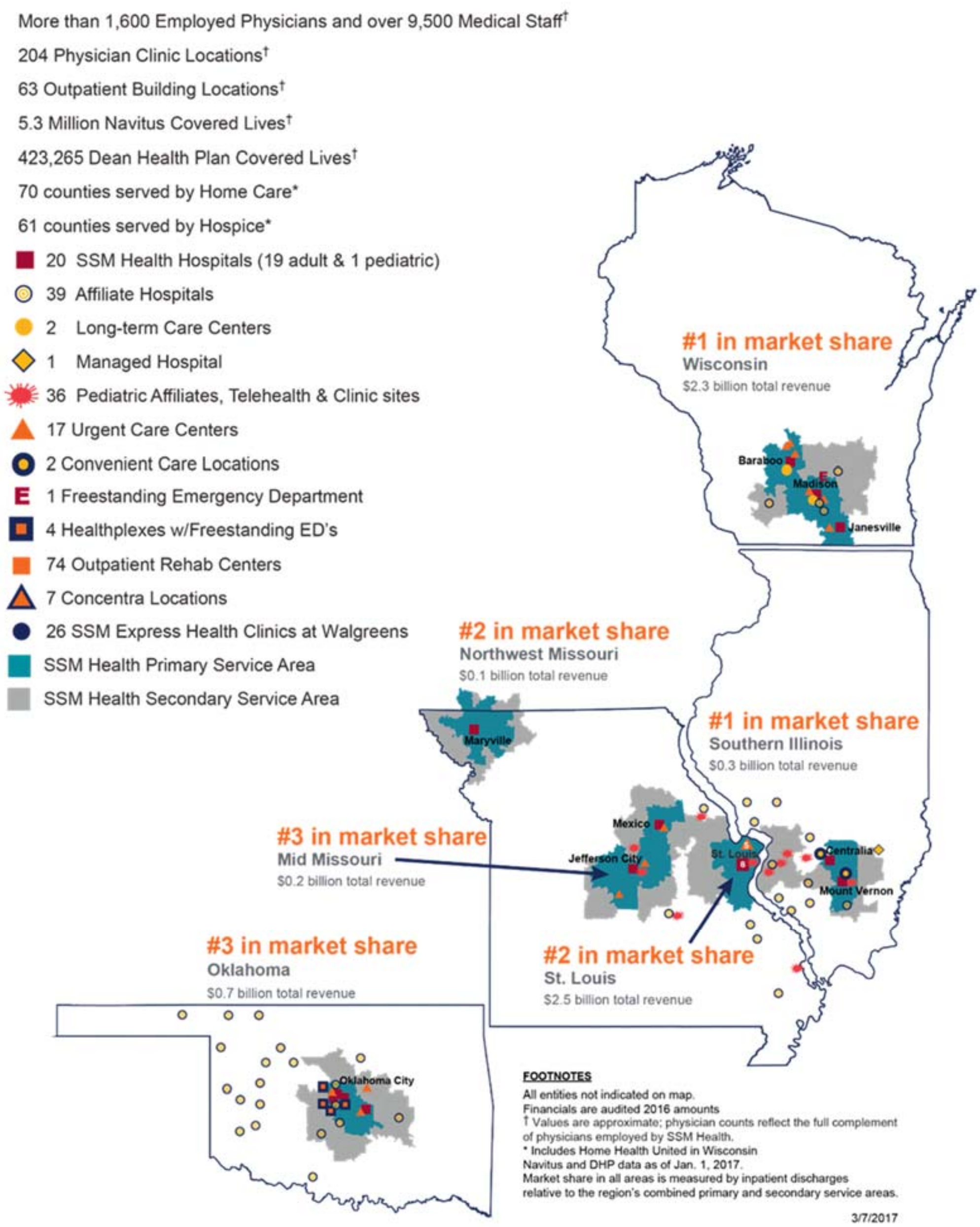
SPECIAL NOTE CONCERNING FORWARD LOOKING STATEMENTS. Certain of the discussions included in the following Management Discussion and Analysis ("Analysis") may include certain forward-looking statements which involve known and unknown risks and uncertainties inherent in the operation of health care operations. 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 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.

Table of Contents

Report for the Period Ended December 31, 2016

I. Organization

SSM Health (SSMH or System) is a centrally managed, multi-institutional health care system with its headquarters based in St. Louis, Missouri. Through its affiliated corporations, SSMH owns and operates hospitals, long-term care facilities, an extensive network of physician practice operations, a health plan and pharmacy benefits organization (PBM), as well as other health care businesses, located primarily in four states, and whose related businesses provide health related administrative services in 39 states. SSMH is sponsored by SSM Health Ministries which is an 8-member body comprised of three Franciscan Sisters of Mary (FSM) and five lay people who collectively hold certain powers over SSMH. The health care activities of FSM date back to 1872 when the founder and four other sisters arrived in St. Louis from Germany, committed to serve the sick and the poor.



SSMH has reorganized its system structure to include Hospital and Physician operating divisions, supported by the Health Plan and PBM operations, to better support the evolution of integrated care delivery as noted in the picture below:

Hospital Operations

- 2016 Revenue: $3.7B
- 20 Acute Care Hospitals
- Hospitals-Based Services:
  - Outpatient Care
  - Outpatient Surgery
  - Ancillary Services
- Behavioral Medicine
  - Hospitals/services
- Inpatient Rehabilitation
  - Hospitals/services
- Long-Term Acute Care
- Center for Clinical Excellence

Physician & Ambulatory Services

- 2016 Revenue: $0.8B
- Medical Groups
- Ambulatory Platforms
  - Urgent Care
  - Diagnostics
  - Surgery Centers
- Long-Term Care Clinics
- Post-Acute Care Clinics

Health Plan & PBM

- Dean Health Plan (2016 Revenue: $1.3 B)
  - Over 423,000 covered lives
- Navitus (2016 Revenue: $0.3B)
  - $3.5B total 2016 pharmacy spend

The Hospital Operations division is comprised of the 19 adult hospitals and one pediatric hospital, which are located throughout Missouri, Illinois, Oklahoma and Wisconsin. These hospitals provide a comprehensive range of inpatient and outpatient services, including emergency, trauma, general acute, OB/GYN, pediatric, orthopedic, oncology, cardiac care, behavioral medicine, and neurology/neurosurgery, serving more than 176,000 inpatients and approximately 1.6 million outpatients each year, with more than 33,000 employees and over 9,500 medical staff members. Additionally, SSMH manages an acute care hospital in Southern Illinois, has a minority ownership interest in four hospitals and has strategic affiliation agreements with 39 hospitals.

The Physician & Ambulatory Services division includes the professional clinical services of over 1,600 employed physicians, as well as related services such as ambulatory surgery, imaging and other diagnostic services. In addition, the division includes urgent care, long-term care and post-acute care sites, with two convenient care sites, 17 urgent care sites, 26 SSM Health Express Clinics at Walgreens, two long-term care centers, as well as home care and hospice in 70 and 61 counties, respectively. SSMH also has a minority interest in an inpatient rehabilitation hospital, 74 outpatient rehabilitation centers and various other outpatient services.

The Health Plan and PBM operations include Dean Health Plan (DHP) and its partnership with Prevea360 Health Plan, which serve approximately 423,000 members in Wisconsin, as well as Navitus, Inc., a pharmacy benefit management company that has approximately 5.3 million covered lives in 39 states. Additionally, the division is leading value-based care expansion across SSMH's markets through a variety of service offerings that include health improvement, bundled payment, shared savings, and risk transfer mechanisms.

II. Mission

"Through our exceptional health care services, we reveal the healing presence of God."

This thirteen-word statement was developed in 1999 with involvement and input from over 3,000 employees. The mission statement is intended to guide SSMH's decisions and actions, and the achievement of "exceptional health care services" is measured by the top decile results in the areas of quality, safety, patient satisfaction, and employee and physician commitment. For financial goals, "exceptional" is set based on goals established through the strategic and financial planning process.

III. Strategic Initiatives

St. Louis University Hospital

On September 1, 2015, St. Louis University (SLU) Hospital became part of SSM Health St. Louis (SSMHSL). St. Louis University purchased SLU Hospital from Tenet Healthcare and contributed it to SSMHSL in exchange for a minority membership interest. The hospital, which was renamed SSM Health Saint Louis University Hospital (SSM-SLUH), is a 356-bed academic teaching hospital and is a Level I Trauma Center, certified in both Missouri and Illinois. This new integrated partnership will provide the St. Louis community with more coordinated access to the compassionate high-quality care for which SSM Health is known. As part of the purchase agreement, SSMH committed to replace the hospital and outpatient care center (at a cost not to exceed $550 million) within five years from the date of purchase.

Other strategic partnerships

In August 2016, SSMH expanded its existing relationship with Walgreens by assuming operation of 26 retail health clinics within the Greater St. Louis Market. The clinics were re-branded as SSM Health Express Clinic at Walgreens, and are an extension of the SSM Health Medical Group. The clinics are fully integrated with the EPIC electronic health record system and provide continuity of care and an enhanced experience to its patients within the Greater St. Louis market.

IV. Overview

This MD&A report is provided to give management's view of key factors underlying SSMH's financial performance and position as of and for the twelve months ended December 31, 2016. The report also includes an update on capital and debt as of

December 31, 2016. Unless otherwise stated, financial results are described in $ thousands and relate to the periods ended December 31, 2016 and 2015.

For the period ended December 31, 2016, operating income was $10.0 million, operating EBIDA was $339.6 million and excess revenue (before the change in market value of interest rate swaps and income taxes) was $98.7 million. For detailed financial results please refer to the financial statements included with the December 31, 2016 compliance posting.

V. Operating Results

A. Net Patient Service Revenue: Net patient service revenue (NPSR) increased $418.2 million, or 11.0%, to $4.2 billion during the twelve months of fiscal 2016, compared to the twelve months of fiscal year 2015. This increase was primarily attributable to the addition of SSM-SLUH (+$292.6 million), which became part of SSMH operations late in the third quarter of fiscal year 2015.

During the period ending December 31, 2016, SSMH's revenue mix (based on gross charges) experienced a shift to inpatient, mainly from outpatient.

Table 1 – Revenue Mix

	2016	2015	Chg.
Inpatient	43.2%	42.0%	1.2pp
Behavioral Medicine	2.2%	2.4%	-0.2pp
Rehab	0.2%	0.2%	0.0pp
Outpatient	53.9%	54.8%	-0.9pp
Long-Term Care	0.5%	0.6%	-0.1pp
	100.0%	100.0%	

SSMH's payor mix also shifted during the period with decreases in Medicare and Commercial/Self-Pay/Other offset by increases in Managed Care.

Table 2 – Payor Mix

	2016	2015	Chg.
Medicare	28%	29%	-1.0pp
Medicaid	13%	13%	0.0pp
Managed Care	49%	47%	2.0pp
Commercial, Self-Pay and Other	10%	11%	-1.0pp
	100%	100%	

SSMH continues to experience favorable inpatient and outpatient volumes. During the twelve months of fiscal 2016, outpatient visits increased 5.6% to 1,587,389 and acute admissions increased 6.9% to 175,066 compared to the similar period of 2015. Medicare case mix index (CMI) Adjusted Admissions increased 18.2% to 626,769 during the period, while Patient Revenue per Adjusted Equivalent Admission declined 8.2% to $7,044.

Table 3 – Key Operational Statistics

	2016	2015	% Chg.
Acute Admissions	175,066	163,694	6.9%
CMI Adjusted Admissions*	626,769	530,216	18.2%
Adjusted Patient Days	1,871,649	1,677,721	11.6%
Inpatient Surgeries	37,671	35,170	7.1%
Outpatient Surgeries	68,341	64,923	5.3%
Outpatient Visits	1,587,389	1,503,767	5.6%
Emergency Visits	765,866	725,304	5.6%

*Adjusted Equivalent Admissions

At December 31, 2016, SSMH's occupancy rate was 69%, compared to 65% at December 31, 2015. SSMH is additionally providing services at a higher acuity level, with a Medicare CMI of 1.73 at December 31, 2016, compared to 1.68 at December 31, 2015.

B. Premium and Other Revenues: Premium and other revenues, including those generated through DHP and Navitus, increased by $231.7 million (+14.0%) from 2015. Growth in DHP related premium revenue was primarily attributable to revenue increases in the Individual, Medicare and Other business lines. Membership growth in the health plan was favorable during the period, increasing 0.6%, with most of the gain coming from the Individual market and Other, mostly offset by losses in the Group and ASO lines.

Table 4 – Covered Lives per Business Line

	2016	2015	% Chg.
Group	149,369	152,823	-2.3%
Individual	41,183	34,822	18.3%
Medicare Select	24,893	26,698	-6.8%
MAPD	1,622	n/a	n/a
Medicaid	40,887	42,045	-2.8%
Other	17,548	14,312	22.6%
ASO	147,763	150,093	-1.6%
	423,265	420,793	0.6%

C. Total Operating Revenue: Total operating revenues for the twelve months of fiscal year 2016 increased by $649.9 million, or 11.9%, to $6.1 billion compared to the similar period in 2015, of which $299.0 million was attributable to the addition of SSM-SLUH to the system.

D. Operating Expenses and Income: For the twelve months of fiscal year 2016, operating expenses (including depreciation, amortization and interest) increased $869.6 million, or 16.6%, compared to the similar period of 2015, with 39% of the increase (+$336.7 million) attributable to the addition of SSM-SLUH. Notably, increases in compensation expense, supplies expense, as well as professional fees and other expenses were the main contributors to the increase in operating expenses for the twelve months ending December 31, 2016**.**

Compensation expense increased $388.0 million, or 16.6% during the twelve months ending December 31, 2016 compared to the similar period in 2015, which reflects the inclusion of the $99.6 million curtailment gain. Notably, the addition of SSM-SLUH accounted for $106.8 million or roughly 28% of the $388.0 million increase. Additional increases were the result of rapid market rate escalation for employees in several SSMH markets. However, despite an overall increase in compensation expense, total full-time equivalents (FTE) per adjusted occupied bed decreased from 3.4 at December 31, 2015 to 3.1 at December 31, 2016.

Medical claims expense, net of intercompany eliminations, for the twelve months of fiscal 2016 increased $35.7 million, or 6.7% relative to the twelve months of fiscal 2015.

Supplies expense increased by $238.8 million, or 26.0%, during the twelve months ending December 31, 2016 compared to the similar period in 2015. Increases in the costs of pharmaceuticals and prescription drugs were the main drivers of the increase in supplies expense during the period. In Wisconsin, where supply costs were up $143.3 million, the region’s specialty pharmacy business offset a significant portion of the cost increase through corresponding revenue growth. The addition of SSM-SLUH also had a material impact on supplies expense during the period, accounting for approximately 28% (+$65.8 million) of the overall increase.

Professional fees and other expense increased $190.7 million, or 16.8%, during the twelve months ending December 31, 2016 compared to the similar period in 2015. Of this increase, $147.2 million was related to the acquisition of SSM-SLUH, with the majority attributable to professional medical fees, payments required under the Transition Services Agreement and the Medicaid Provider Tax expense.

The System’s operating income for the twelve months of fiscal year 2016 was $10.0 million, or 0.2% of total operating revenue, compared to $229.7 million, or 4.2% for the twelve months of fiscal year 2015. Fiscal year 2015 operating income included a non-recurring $99.6 million curtailment gain related to changes made to the SSMH qualified and non-qualified defined benefit (DB) plans. Excess revenue (before the change in market value of interest rate swaps and income taxes) was $98.7 million, or 1.6% of total operating revenue during the period versus $209.9 million or 3.8% in 2015.

SSMH has continued ongoing cost reduction programs, revenue cycle improvements and integration and optimization of acquisitions in order to enhance operating margins.

E. **Non-Operating Gains and (Losses):** For the period ended December 31, 2016, net non-operating gains (losses) were $88.7 million, which represented an increase of $108.5 million from the 2015 results. This increase is attributed to higher investment returns in the current period compared to an investment loss in the prior year. The investment returns and operating income were supplemented by positive mark-to-mark adjustments on interest rate swaps of $1.8 million, yielding excess revenue before taxes of $100.5 million for the twelve months ending December 31, 2016, a decrease of $108.0 million from the similar period in 2015.

F. **Excess of Revenues Over Expenses:** For the period ended December 31, 2016, excess of revenue over expenses, including the net non-controlling interest portion, was $99.4 million, or 1.6% of total operating revenue, which represented a decrease of $106.8 million from the 2015 results.

VI. Financial Position

A. **Key Balance Sheet Ratios:** SSMH's unrestricted cash and investments position increased by $64.4 million, or 2.8%, from December 31, 2015 to December 31, 2016. Despite the 2.8% increase in unrestricted cash balances, Days Cash on Hand, excluding DHP related items, decreased to 158 as of December 31, 2016, down 18 days from the prior year, as operating expenses increased primarily from growth and acquisitions. Unrestricted cash to total debt (with total debt calculated exclusive of unamortized premium/discount and deferred financing costs), declined to 110% at December 31, 2016 from 116% at December 31, 2015, while patient accounts receivable increased by $95.7 million during the period; of this, $23.4 million was attributable to a full year of activity from SSM-SLUH while the remainder was the result of increased revenue and accounts receivable days. Total unrestricted net assets decreased to $2,028.8 million at December 31, 2016 from $2,057.4 million at December 31, 2015.

Total debt to capitalization (exclusive of unamortized premium/discount and deferred financing costs), increased slightly from 49.2% at December 31, 2015 to 51.6% at December 31, 2016. Debt Service Coverage, excluding curtailment gains and impairment losses, remains robust at 5.0 times, but is down from 6.9 times from a year prior.

Table 5 – Summary of Key Liquidity and Capital Structure Ratios

	Dec 31, 2016	Dec 31, 2015	Chg.	% Chg.
Unrestricted Cash ($ millions) [1]	$2,236.7	$2,176.8	$59.9	2.8%
Net Patient AR ($ millions)	$671.3	$575.6	$95.7	16.6%
Unrestricted Net Assets ($ millions)	$2,028.8	$2,057.4	($28.6)	-1.4%
Days Cash on Hand [1]	158.1	176.4	-18.3	-10.4%
Accounts Receivable (days)	57	50	7	13.4%
Debt Service Coverage [2]	5.0	6.9	-1.9	-27.5%
MADS Coverage [3]	3.5	4.4	-0.9	-20.5%
Debt to Capitalization [4]	51.6%	49.2%	2.4pp	n/a
Debt to Cash Flow	5.1	4.8	0.3	5.8%
Cushion Ratio (X)	25.6	31.8	n/a	-19.5%
Current Ratio	0.8	0.8	0.0	n/a
Cash to Debt [4]	110%	116%	-5.9pp	n/a

[1] Exclusive of DHP unrestricted cash and investments of $136.8mn and $132.3mn, respectively

[2] Debt service coverage calculation removes unrealized gain/(loss) on investments from available income

[3] MADS coverage based on 12 months ending on specified period

[4] For these ratios, Debt excludes unamortized premium/discount and deferred financing costs.

B. Investments: At December 31, 2016 and 2015, the actual asset class allocations of SSMH's composite centralized investment program were as follows:

Table 6 – Investment Asset Allocation

	Dec 31, 2016	Dec 31, 2015	Chg.
Enhanced Cash	6.7%	4.1%	2.6pp
Equities	44.8%	43.7%	1.1pp
Fixed Income	25.7%	30.6%	-4.9pp
Hedge Funds	13.5%	13.2%	0.3pp
Real Assets	8.8%	8.4%	0.4pp
Private Equity*	0.5%	0.0%	0.5pp
	100.0%	100.0%	

*An allocation to private equity w as approved by the investment committee in 2015.

The composite value of all of the centralized investment program portfolios was $3.5 billion at December 31, 2016. This includes $1.4 billion of pension plan assets that are netted against pension liabilities on SSMH's consolidated balance sheet. Dean Health System, Dean Health Plan and certain foundation assets are not included within this program.

Through the twelve months ended December 31, 2016, investment income (operating and non-operating) increased $141.2 million to $124.0 million, compared to a loss of $17.2 million in 2015. The increase in investment income is largely attributed to the investment portfolio composite year to date gains (excluding pension investments) of 5.3% at December 31, 2016 (+4.58% annualized return since inception) compared to -0.9% at December 31, 2015.

A comparison of the results for 2015 and 2016 is listed in Table 7. This table also includes a breakout of 2016 investment gains by income recognition (realized and unrealized), income segment (operating and non-operating), and the amounts attributed to interest and dividend earnings.

Table 7 – Summary of Investment Income ($ in millions)

a. 2016 - 2015 Comparisons	2016	2015
Interest, dividends and realized gains, net	$89.0	$82.5
Change in unrestricted unrealized gains	35.0	(99.7)
Total investment income	$124.0	($17.2)

b. 2016 Sources

Investment Gain (Loss) Classification	Interest & Dividends	Realized Gain	Unrealized Gain	Total
Operating	$12.4	$13.6	$10.5	$36.5
Non-operating	24.8	38.2	24.5	87.5
Total	$37.2	$51.8	$35.0	$124.0

C. Debt Structure: At December 31, 2016, SSMH's total debt, excluding commercial paper and lines of credit, decreased by $34.8 million from December 31, 2015. This reduction resulted primarily from the following activity during the twelve months ended December 31, 2016:

- On January 4, 2016, SSMH completed the partial redemption of $1.1 million of the Series 2014A Bonds, Series 2014K Bonds, Series 2012B Bonds, and Series 2010B Bonds.
- SSMH funded scheduled payments of $35.2 million and recognized additional debt totaling $1.5 million.

In addition, SSMH completed the defeasance of the Series 2008A bonds in February 2017. SSMH utilized its general revolving line of credit and drew $110.5 million to fund the escrow account and pay costs of issuance.

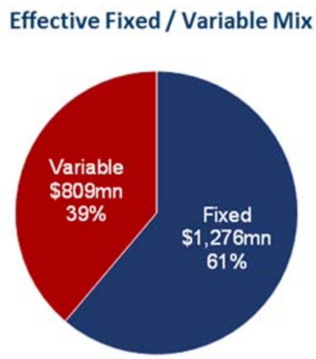
At December 31, 2016, SSMH's debt structure and mix is as follows:

Table 8 – Summary of Total Debt **($ in millions)**

Secured Under the Master Trust Indenture:	Dec 31, 2016	Dec 31, 2015	Chg.
Fixed rate revenue bonds	$605.6	$609.6	(4.0)
Variable rate demand bonds	300.0	300.0	0.0
Variable rate direct loans	506.1	509.9	(3.8)
Auction rate bonds	53.5	78.7	(25.2)
Term loan	87.4	90.7	(3.3)
Total under Master Indenture	1,552.5	1,588.8	(36.3)
Other:			
Various notes payable and other debt	50.0	49.1	0.9
Capitalized lease obligations	24.0	25.3	(1.3)
Deferred financing costs	(6.7)	(7.3)	0.7
Not Secured Under Master Indenture	67.3	67.1	0.2
Total LT Debt excluding CP and LOC	1,619.8	1,655.9	(36.1)
Balance Sheet Classification:			
Total Long-Term Debt (including current portion and capital leases)	1,319.8	1,355.9	(36.1)
Total Short-Term Debt	300.0	300.0	0.0
Total Debt excluding CP and LOC	$1,619.8	$1,655.9	(37.1)

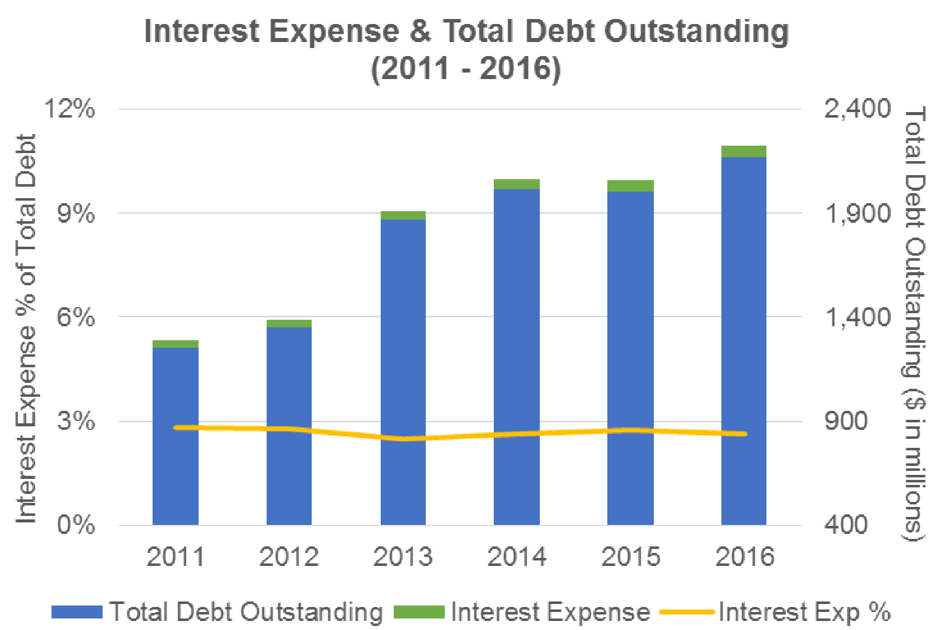
Differences are due to rounding

Figures in the table above include unamortized premiums/discounts



Figures in debt charts above include CP and LOC, and reflect par debt, excluding unamortized premiums, discounts and debt issuance costs

Despite SSMH's balance sheet growth over the past several years, average cost of debt has remained steady and overall interest costs have only grown marginally.



On January 1, 2016, SSMH adopted Accounting Standards Update 2015-03*, Interest – Imputation of Interest (Subtopic 835-30) – Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. As a result of this adoption, $7.3 million in deferred financing costs was moved from an asset classification to a reduction in the carrying value of debt as of January 1, 2016. This adoption resulted in a restatement of debt balances as of December 31, 2015.

SSMH utilizes lines of credit for general corporate purposes. On April 22, 2016, SSMH entered into a $500.0 million revolving line of credit agreement. The line is secured under SSMH's existing Master Trust Indenture. At December 31, 2016, SSMH had $150.0 million outstanding on the line, which it subsequently repaid in January 2017 ($125.0 million) and February 2017 ($25.0 million). It should be noted that, SSMH's revolving line of credit has a maturity date of April 21, 2017. SSMH is highly confident that the line will be renewed at existing terms for another one year period.

On October 13, 2015, SSMH increased the size of the shelf registration of its taxable Commercial Paper Notes Series A to $400.0 million, which was fully issued and outstanding at December 31, 2016. SSMH's commercial paper has historically traded below LIBOR and has broadened the investor base for SSMH beyond traditional tax exempt investors.

Effective January 1, 2016, SSM Health Saint Louis University Hospital was designated as a member of the SSM Health Credit Group.

In accordance with generally accepted accounting principles SSMH classifies all of its self-liquidity backed variable rate debt as short term debt. It is SSMH's intent to continue to remarket both the variable rate demand bonds as well as the commercial paper.

D. **Derivative Instruments:** As of December 31, 2016, SSMH had six floating-to-fixed interest rate swaps and three fixed spread basis swaps. SSMH uses floating-to-fixed interest rate swaps to synthetically convert the majority of variable rate debt to a fixed rate. Under these swaps, SSMH receives LIBOR or percentage of LIBOR plus a spread of 0.12% and pays a fixed rate. For the fixed spread basis swaps, SSMH pays SIFMA and receives a percentage of LIBOR plus a spread ranging between 0.40% and 0.62%. Counterparties to these swaps are JPMorgan, Citibank, Wells Fargo, Union Bank, Deutsche Bank, Barclays and PNC Bank.

The swaps had a total notional amount of $837 million with a total mark-to-market value of ($142) million as of December 31, 2016. In the event that the mark-to-market valuation reaches a certain negative value, SSMH may be required to post collateral for the benefit of the swap counterparty. Based on the mark-to-market valuation as of December 31, 2016, SSMH was not required to post collateral for the benefit of the counterparties.

Table 9 – Summary of Fair Value of Derivatives

			Dec 31, 2016 ($ in thousands)	
Derivatives not designated as hedges	**Maturity Date of Derivatives**	**Fixed Rate**	**Notional Amount Outstanding**	**Fair Value**
Interest rate swaps	2034 - 2044	2.81% - 5.22%	$837,100	($142,544)

The estimated fair values of the interest rate and basis swap instruments have been determined using available market information and valuation methodologies, primarily discounted cash flows.

E. Liquidity: The following table describes the liquidation period of the unrestricted cash and investments of SSMH as of December 31, 2016 (exclusive of DHP).

Table 10 – Liquidation Period of Unrestricted Cash

Liquidation Period	Amount ($ in millions)
T+0	$346.1
T+3	1,397.5
Monthly or Less	166.5
Quarterly or Less	98.6
Illiquid	228.0
Total	$2,236.7

The following table describes the self-liquidity indebtedness of SSMH. For purposes of this table, "self-liquidity indebtedness" means indebtedness that is subject to mandatory tender or maturity within one year or less, excluding the current portion of long-term indebtedness and lines of credit.

Table 11 – Pro Forma Self Liquidity Indebtedness

	Principal Amount ($ in millions)
CP Mode VRDBs	$200.0
Weekly VRDBs	100.0
Taxable CP	400.0
Total Self-Liquidity Debt	$700.0

F. Risk Based Capital: SSMH uses Risk Based Capital (RBC) to monitor the adequacy of liquidity and capitalization of Dean Health Plan. RBC is a method of measuring the minimum amount of capital appropriate for a reporting entity to support its overall business operations in consideration of its size and risk profile. For health insurance companies, regulatory action is activated when RBC falls below 200%. The RBC statistics for DHP stood at 473.2% and 417.4% as of December 31, 2016 and December 31, 2015, respectively (RBC is reported on an annual basis).

G. Capital Planning: SSMH's capital plan reflects the strategic initiatives of SSMH. As part of the ongoing strategic and community needs planning process, management regularly assesses near-term and long-term capital requirements for each of its markets including both growth opportunities and replacement needs. Management also assesses strategic opportunities beyond the existing facilities for growth and to improve access to care in the communities SSMH serves.

The capital expenditure investment for SSMH, including physician alignment, outpatient expansion, routine equipment replacement, significant infrastructure replacement, and adoption of new technologies, is currently approved at $350 million for fiscal year 2017 and $450 million annually in 2018 through 2020. This includes $550 million for the new 316 bed SSM Health St. Louis University Hospital campus and adjoining ambulatory care center. This project is slated to break ground in the fall of 2017 with an estimated completion date of September 1, 2020.

Management expects that the sources of funding for capital projects for fiscal years 2017 through 2020 will be cash from operations, investment earnings, and bond financing under the Master Indenture. Management reviews proposed capital expenditures from time to time, and evaluates capital expenditures based on a variety of factors, including results from operations, debt capacity, status of the financial markets, strategic importance of an individual project, and community needs.

APPENDIX A

EARNINGS BEFORE INTEREST, DEPRECIATION & AMORTIZATION (EBIDA) INFORMATION
($ in thousands)

	2016	2015	Chg.	% Chg.
Operating EBIDA*	$339,608	$443,316	($103,708)	-23.4%
Excess EBIDA*	$427,196	$421,152	$6,044	1.4%
Operating EBIDA %	5.6%	8.1%	n/a	-2.6pp
Excess EBIDA %	6.9%	7.7%	n/a	-0.8pp

*Excludes impairment losses on goodwill and curtailment gain on pension plans

SSM HEALTH (SSMH)

Annual Disclosure Package

2016 Compliance Certificates

SSM HEALTH CARE CREDIT GROUP

<u>SERIES 2002B LOAN AGREEMENT CERTIFICATES OF COMPLIANCE</u>

The attached documents constitute the forms of annual Certificates of Compliance contained in the Series 2002B Loan Agreements.

CERTIFICATE OF COMPLIANCE

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

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, 2016**

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, 2016 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 March 30, 2017

SSM HEALTH CARE CORPORATION

By Kris A. Zimmer
Kris A. Zimmer
Treasurer

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.

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, 2016**

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 1.02. "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 0.52."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 March 30, 2017

SSM HEALTH CARE CORPORATION, as Obligated Group Agent

By: Kris A. Zimmer

Kris A. Zimmer

Its: Treasurer

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

For the Fiscal Year Ended December 31, 2016
(Dollars in Thousands)

<u>Cash-to-Debt Ratio of the Credit Group:</u>

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

$$\frac{\$2,049,498}{\$2,013,065} = 1.02$$

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.

<u>Capitalization Ratio of the Credit Group:</u>

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

$$\frac{\$2,013,065}{\$3,874,030} = 0.52$$

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.

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

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

$$\frac{\$442,575}{\$73,326} = 6.04$$

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 Corporation
and
Ambac Assurance Corporation
Dated as of May 1, 2001 and August 1, 2002

For the Fiscal Year Ended December 31, 2016

Utilization Statistics for the most recent fiscal year:

Licensed Beds	4,616
Beds in Service	3,927
Admissions*	176,256
Patient Days*	987,515
Average Length of Stay (Days)	5.6
Percentage Occupancy**	68.7%
Emergency Room Visits	765,866
Outpatient Clinic Visits	1,587,389

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

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

Medicare	29%
Medicaid	14%
Managed Care	47%
Other	10%

Medicare Case Mix Index for the most recent fiscal year: 1.73

FORM OF COMPLIANCE CERTIFICATE
(2012 Term Loan)

To: Bank of America, N.A. (the *"Bank"*)

This Compliance Certificate is furnished pursuant to the Term Loan Agreement dated as of June 27, 2012, as modified by the First Amendment to Term Loan Agreement dated May 14, 2014 and the Second Amendment to Term Loan Agreement dated as of June 23, 2014 (as further amended, modified, renewed or extended from time to time, the "*Agreement*") between Bank of America, N.A. (the *"Bank"*) and SSM HEALTH CARE CORPORATION, a Missouri nonprofit corporation (the *"Corporation"*) for itself as Corporation and as Obligated Group Agent on behalf of the Obligated Group. 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 Corporation.

2. This Compliance Certificate is provided with respect to the **fiscal year ending on December 31, 2016** (the *"Relevant Period"*).

3. **Under my supervision, the Corporation has made a review of the activities during the preceding fiscal year for the purpose of determining whether or not each Member of the Obligated Group and each Credit Group Member has complied with all of the terms, provisions, covenants and conditions of the Agreement and the Credit Documents to which it is a party, and to the best of my knowledge each Member of the Obligated Group and each Credit Group Member has kept, observed, performed and fulfilled each and every, provision, covenant and condition of the Agreement and the other Related Documents to which such member is a party;** and (except as set forth in paragraph 4 below), no Event of Default or Default has occurred.

4. I have no knowledge of the existence of any condition or event which constitutes an Event of Default or 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 7.1(ii)(2)(iv) of the Agreement, I certify on behalf of the Corporation that the Credit Group is in compliance with the financial covenants in Section 7.19 of the Agreement required to be satisfied as of the end of the Relevant Period, and specifically that as of December 31, 2016, for the Relevant Period:

(a) **Pursuant to Section 7.19(a), the Historical Debt Service Coverage Ratio as of December 31, 2016 is 6.04, for the 12-month period then ended. Pursuant to Section 7.19(b), the Days' Cash on Hand Ratio is 155 days as of December 31, 2016.**

(b) Annex I attached hereto sets forth financial data and computations evidencing the Credit Group'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 30th day of March, 2017.

SSM HEALTH CARE CORPORATION

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

1483577.02

ANNEX I
TO COMPLIANCE CERTIFICATE

SSM HEALTH CARE CORPORATION

COMPLIANCE CALCULATIONS FOR TERM LOAN AGREEMENT DATED AS OF JUNE 27, 2012

CALCULATIONS AS OF DECEMBER 31, 2016

A. Historical Debt Service Coverage Ratio of the Credit Group (Section 7.19(a))

1.	Income Available for Debt Service	$442,575
2.	Debt Service Requirements on Funded Indebtedness	$73,326
3.	Ratio of Line A1 to Line A2	6.04:1.0
4.	Line A3 must be greater than or equal to	1.10:1.0
5.	The Credit Group is in compliance (circle yes or no)	yes/no

B. Days Cash on Hand Ratio of the Credit Group (Section 7.19(b))

1.	Total cash, cash equivalents and marketable securities of the Credit Group (not restricted as to use and not subject to any Lien other than a Lien of the Master Indenture). 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 Banks, for the sole or primary purpose of meeting the covenant set forth in	$2,049,498

1483577.02

	Section 7.19(b) of the Agreement and (ii) cash of the Credit Group which has been posted as collateral under any Swap Contract)	
2.	366	366
3.	Product of Line B1 and Line B2	750,116,268
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	$4,837,308
5.	Ratio of Line B3 to Line B4	155 days
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 1998B LOAN AGREEMENT CERTIFICATES OF COMPLIANCE

The attached 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: Kerry McFarland

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, 2016 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 thirtieth day of March, 2017.

SSM HEALTH CARE CORPORATION

By: Kris A. Zimmer

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: Kerry McFarland

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, 2016 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 thirtieth day of March, 2017.

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: Kerry McFarland

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, 2016 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 thirtieth day of March, 2017.

SSM HEALTH CARE CORPORATION

By: Kris A. Zimmer

Kris A. Zimmer
Treasurer

ATTACHMENT A

Pursuant to Section 404 of the
Master Trust Indenture (Amended and Restated)
between
SSM Health 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, 2016
(Dollars in Thousands)

Historical Debt Service Coverage Ratio of the Credit Group:

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

$$\frac{\$442{,}575}{\$73{,}326} = 6.04$$

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

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, 2016 ("Fiscal Year 2016") 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 thirtieth day of March, 2017.

SSM HEALTH CARE CORPORATION

By Kris A. Zimmer

Kris A. Zimmer
Treasurer

LIST OF CREDIT GROUP MEMBERS

Obligated Group Members

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
SSM-SLUH, Inc.
St. Anthony Shawnee Hospital, Inc.
St. Mary's Hospital, Centralia, Illinois
Dean Health Systems, Inc.
Dean Retail Services, Inc.
SMDV Office Building, LLC
Navitus Holdings, LLC
Navitus Health Solutions, LLC
Lumicera Health Services, LLC
Wingra Building Group
Janesville Riverview Clinic Building Partnership

Proposed Designated Affiliates

Currently none.

ATTACHMENT A

Pursuant to Section 404 of the
Master Trust Indenture (Amended and Restated)
between
SSM Health 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, 2016
(Dollars in Thousands)

Historical Debt Service Coverage Ratio of the Credit Group:

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

$$\frac{\$442{,}575}{\$73{,}326} = 6.04$$

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, 2016

Related to

ILLINOIS HEALTH FACILITIES AUTHORITY
15,350,000 OUTSTANDING VARIABLE RATE DEMAND BONDS (SSM HEALTH CARE) SERIES 1998B AUCTION RATE CERTIFICATES (ARC^{SM})

AND

OKLAHOMA CITY INDUSTRIAL AND CULTURAL FACILITIES TRUST
$19,800,000 OUTSTANDING VARIABLE RATE DEMAND BONDS (SSM HEALTH CARE) SERIES 1998B AUCTION RATE CERTIFICATES (ARC^{SM})

AND

WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
$5,100,000 OUTSTANDING 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
$13,250,000 OUTSTANDING REVENUE BONDS (SSM HEALTH CARE) SERIES 2002B AUCTION RATE CERTIFICATES (ARC^{SM})

AND

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

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF WISCONSIN
$107,970,000 OUTSTANDING REVENUE BONDS (SSM HEALTH CARE) SERIES 2010A

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI
$139,965,000 OUTSTANDING REVENUE BONDS (SSM HEALTH CARE) SERIES 2010B

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI
$104,690,000 OUTSTANDING DIRECT PURCHASE BONDS (SSM HEALTH CARE) SERIES 2012A

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI
$69,465,000 OUTSTANDING DIRECT PURCHASE BONDS (SSM HEALTH CARE) SERIES 2012B

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI
$236,035,000 OUTSTANDING HEALTH FACILITIES REVENUE BONDS (SSM HEALTH CARE) SERIES 2014A

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI
$50,000,000 OUTSTANDING HEALTH FACILITIES REVENUE BONDS (SSM HEALTH CARE) SERIES 2014B

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI
$50,000,000 OUTSTANDING HEALTH FACILITIES REVENUE BONDS (SSM HEALTH CARE) SERIES 2014C

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI
$50,000,000 OUTSTANDING HEALTH FACILITIES REVENUE BONDS (SSM HEALTH CARE) VARIABLE RATE BONDS SERIES 2014D

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI
$50,000,000 OUTSTANDING HEALTH FACILITIES REVENUE BONDS (SSM HEALTH CARE) VARIABLE RATE BONDS SERIES 2014E

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI
$50,000,000 OUTSTANDING HEALTH FACILITIES REVENUE BONDS (SSM HEALTH CARE) VARIABLE RATE BONDS SERIES 2014F

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI
$50,000,000 OUTSTANDING HEALTH FACILITIES REVENUE BONDS (SSM HEALTH CARE) VARIABLE RATE BONDS SERIES 2014G

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI
$100,000,000 OUTSTANDING HEALTH FACILITIES REVENUE BONDS (SSM HEALTH CARE) VARIABLE RATE BONDS SERIES 2014H

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI
$60,000,000 OUTSTANDING HEALTH FACILITIES REVENUE BONDS (SSM HEALTH CARE)
VARIABLE RATE BONDS SERIES 2014I

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI
$95,050,000 OUTSTANDING HEALTH FACILITIES REVENUE BONDS (SSM HEALTH CARE)
VARIABLE RATE BONDS SERIES 2014J

AND

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI
$76,855,000 OUTSTANDING HEALTH FACILITIES REVENUE BONDS (SSM HEALTH CARE)
VARIABLE RATE BONDS SERIES 2014K

AND

$400,000,000 OUTSTANDING SSM HEALTH CARE TAXABLE COMMERIAL PAPER NOTES
SERIES 2014A

DIGITAL ASSURANCE CERTIFICATION LLC, DISSEMINATION AGENT

SSM Contact Person:
Kris A. Zimmer
Senior Vice President, Finance
SSM Health Care Corporation
10101 Woodfield Lane
St. Louis, MO 63132
314-989-2088

Dissemination Agent:
Digital Assurance Certification, LLC
390 North Orange Ave., Suite 1750
Orlando, FL 32801
Attention: Shana Blanchard
843-376-7332

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, 2016.

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 thirtieth day of March, 2017.

SSM HEALTH CARE CORPORATION,
as Obligated Group Agent

By: Kris A. Zimmer

Kris A. Zimmer
Treasurer

LIST OF CREDIT GROUP MEMBERS

Obligated Group Members

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
SSM-SLUH, Inc.
St. Anthony Shawnee Hospital, Inc.
St. Mary's Hospital, Centralia, Illinois
Dean Health Systems, Inc.
Dean Retail Services, Inc.
SMDV Office Building, LLC
Navitus Holdings, LLC
Navitus Health Solutions, LLC
Lumicera Health Services, LLC
Wingra Building Group
Janesville Riverview Clinic Building Partnership

Proposed Designated Affiliates

Currently none.

HISTORICAL DEBT SERVICE COVERAGE

	Fiscal Year Ended December 31, (in thousands)		
	2015	2016	
Net Income	$ 277,712	$ 184,005	
Loss on early extinguishment of debt	-	-	
Depreciation and amortization	222,026	252,794	
Impairment loss	13,246	-	
Curtailment gain	(99,562)	-	
Unrealized (gains) losses	88,086	(30,634)	
MTM adjustment on interest rate swaps	1,402	(1,766)	
Interest expense	34,348	38,176	
Total income available	$ 537,258	$ 442,575	
	$ 537,258	$ 442,575	Annualized
Actual debt service	$ 72,594	$ 73,326	
Actual debt service coverage	7.4 x	6.0 x	

LIQUIDITY

	Fiscal Year Ended December 31, (in thousands)		
	2014	2015	2016
Current Assets:			
Cash and Investments	$119,605	$123,535	$114,373
Days Cash and Investments	12	11	9
Assets Whose Use is Limited (excluding trustee-held funds, self insurance trust funds and donor restricted funds)			
Cash and Investments	$1,702,237	$1,864,531	$1,935,125
Days Cash and Investments	177	169	146
Total Days Cash and Investments	189	180	155

SOURCES OF PATIENT REVENUES

	Net Revenue by Payor Fiscal Year Ended December 31,		
Payor	2014	2015	2016
Medicare	31%	29%	29%
Medicaid	14%	13%	14%
Managed Care	44%	46%	47%
Commercial, Self-Pay and Other	11%	12%	10%
	100%	100%	100%

UTILIZATION BY MARKET

Licensed Beds

	As of 12/31/2016	
Region	Acute	Post Acute
SSMH - St. Louis	2,250	0
SSMH - Wisconsin	590	311
SSMH - Oklahoma	870	0
SSMH - Southern Illinois	259	0
SSMH - Mid Missouri	255	0
SSMH - Maryville	81	0
Total	4,305	311

Admissions

Region	2014	2015	2016
SSMH - St. Louis	82,824	84,538	99,696
SSMH - Wisconsin	25,715	25,195	26,112
SSMH - Oklahoma	24,963	25,772	26,694
SSMH - Southern Illinois	12,484	13,185	13,284
SSMH - Mid Missouri	8,737	8,656	8,964
SSMH - Maryville	1,646	1,547	1,506
Total	156,369	158,893	176,256

Total Patient Days

	2014	2015	2016
SSMH - St. Louis	393,676	407,032	511,278
SSMH - Wisconsin	206,165	204,700	207,950
SSMH - Oklahoma	168,116	169,776	178,552
SSMH - Southern Illinois	47,705	51,767	49,922
SSMH - Mid Missouri	34,494	33,146	33,639
SSMH - Maryville	6,349	6,252	6,174
Total	856,505	872,673	987,515

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			
BNY Mellon Trust Company, N.A.	Illinois Financing Authority (formerly, Illinois Health Facilities Authority)	MBIA Insurance Corp.	--
BNY Mellon Trust Company, N.A.	Wisconsin Health and Educational Facilities Authority	MBIA Insurance Corp.	--
BNY Mellon Trust Company, N.A.	Oklahoma City Industrial and Cultural Facilities Authority	MBIA Insurance Corp.	--
SERIES 2002B			
BNY Mellon Trust Company, N.A.	Health and Educational Facilities Authority of the State of Missouri	Ambac Assurance Corp	--
SERIES 2008A			
BNY Mellon Trust Company, N.A.	Health and Educational Facilities Authority of the State of Missouri	--	--
SERIES 2010A			
BNY Mellon Trust Company, N.A.	Health and Educational Facilities Authority of the State of Missouri	--	--

Related Bond Trustees	Related Issuers	Credit Enhancers	Liquidity Providers
SERIES 2010B			
BNY Mellon Trust Company N.A.	Health and Educational Facilities Authority of the State of Missouri	--	
SERIES 2012A			
BNY Mellon Trust Company N.A.	Health and Educational Facilities Authority of the State of Missouri	--	Citibank, N.A.
SERIES 2012B			
BNY Mellon Trust Company N.A	Health and Educational Facilities Authority of the State of Missouri	--	PNC Bank, National Association
SERIES 2014A			
BNY Mellon Trust Company N.A.	Health and Educational Facilities Authority of the State of Missouri	--	--
SERIES 2014B			
US Bank National Association	Health and Educational Facilities Authority of the State of Missouri	--	--
SERIES 2014C			
US Bank National Association	Health and Educational Facilities Authority of the State of Missouri	--	--
SERIES 2014D			
US Bank National Association	Health and Educational Facilities Authority of the State of Missouri	--	--
SERIES 2014E			
US Bank National Association	Health and Educational Facilities Authority of the State of Missouri	--	--

Related Bond Trustees	Related Issuers	Credit Enhancers	Liquidity Providers
SERIES 2014F			
US Bank National Association	Health and Educational Facilities Authority of the State of Missouri	--	--
SERIES 2014G			
US Bank National Association	Health and Educational Facilities Authority of the State of Missouri	--	--
SERIES 2014H			
BNY Mellon Trust Company N.A.	Health and Educational Facilities Authority of the State of Missouri	--	Union Bank, N.A.
SERIES 2014I			
BNY Mellon Trust Company N.A.	Health and Educational Facilities Authority of the State of Missouri	--	US Bank National Association
SERIES 2014J			
BNY Mellon Trust Company N.A.	Health and Educational Facilities Authority of the State of Missouri	--	JPMorgan Chase Bank, National Association
SERIES 2014K			
BNY Mellon Trust Company N.A.	Health and Educational Facilities Authority of the State of Missouri	--	PNC Bank, National Association
TAXABLE COMMERCIAL PAPER NOTES SERIES A			
US Bank National Association			

SSMHealth

10101 Woodfield Lane
St. Louis, MO 63132
phone: 314-994-7800
ssmhc.com

March 30, 2017

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

HISTORICAL DEBT SERVICE COVERAGE

	Fiscal Year Ended December 31, (in thousands)		
	2015	2016	
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Total Patient Days

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SSMH - Maryville	6,349	6,252	6,174
Total	856,505	872,673	987,515

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

FORM OF COMPLIANCE CERTIFICATE
(Series 2014J)

To: JPMorgan Chase Bank, National Association (the *"Purchaser"*)

This Compliance Certificate is furnished pursuant to the Continuing Covenant Agreement dated as of May 1, 2014, (as amended, modified, renewed or extended from time to time, the *"Agreement"*) between JPMorgan Chase Bank, National Association (the *"Purchaser"*) and SSM HEALTH CARE CORPORATION, a Missouri nonprofit corporation (the *"Corporation"*) for itself as Corporation and as Obligated Group Agent on behalf of the Obligated Group. 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 Corporation.

2. This Compliance Certificate is provided with respect to the **Fiscal Year ending on December 31, 2016** (the *"Relevant Period"*).

3. **Under my supervision, the Corporation has made a review of the activities during the preceding Fiscal Year for the purpose of determining whether or not each Member of the Obligated Group and each Credit Group Member has complied with all of the terms, provisions, covenants and conditions of the Agreement and the Related Documents to which it is a party, and to the best of my knowledge each Member of the Obligated Group and each Credit Group Member has kept, observed, performed and fulfilled each and every, provision, covenant and condition of the Agreement and the other Related Documents to which such member is a party;** and (except as set forth in paragraph 4 below), no Event of Default or Default has occurred.

4. I have no knowledge of the existence of any condition or event which constitutes an Event of Default or 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 6.01(ii)(2)(iv) of the Agreement, I certify on behalf of the Corporation that the Credit Group is in compliance with the financial covenants in Section 6.20 of the Agreement required to be satisfied as of the end of the Relevant Period, and specifically that as of December 31, 2016, for the Relevant Period:

(a) **Pursuant to Section 6.20(a), the Historical Debt Service Coverage Ratio as of December 31, 2016 is 6.04, for the 12-month period then ended. Pursuant to Section 6.20(b), the Days' Cash on Hand Ratio is 155 days as of December 31, 2016.**

(b) Annex I attached hereto sets forth financial data and computations evidencing the Credit Group'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 30th day of March, 2017.

SSM HEALTH CARE CORPORATION

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

ANNEX I
TO COMPLIANCE CERTIFICATE

SSM HEALTH CORPORATION

COMPLIANCE CALCULATIONS
FOR CONTINUING COVENANT AGREEMENT
DATED AS OF MAY 1, 2014

Calculations as of December 31, 2016

A. Historical Debt Service Coverage Ratio of the Credit Group (Section 6.20(a))

1	Income Available for Debt Service	$ 442,575
2	Debt Service Requirements on Funded Indebtedness	$ 73,326
3	Ratio of Line A1 to Line A2	6.04:1.0
4	Line A3 must be greater than or equal to	1.10:1.0
5	The Credit Group is in compliance (circle yes or no)	yes / no

B. Days Cash on Hand Ratio of the Credit Group (Section 6.20(b))

1	Total cash, cash equivalents and marketable securities of the Credit Group (not restricted as to use and not subject to any Lien other than a Lien of the Master Indenture). 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 Banks, for the sole or primary purpose of meeting the covenant set forth in Section 6.20(b) of the Agreement and (ii) cash of	$ 2,049,498

the Credit Group which has been posted as collateral under any Swap Contract)

2	366	366
3	Product of Line B1 and Line B2	750,116,268
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	$ 4,837,308
5	Ratio of Line B3 to Line B4	155 days
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

OFFICER'S CERTIFICATE

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

Re: **Officer's Certificate for Fiscal Year Ending December 31, 2016**

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, 2016 (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, 2016, for the Relevant Period:

   (a) Pursuant to Section 5.16(a), the Historical Debt Service Coverage Ratio is 6.0, for the 12-month period then ended December 31, 2016. Pursuant to Section 5.16(b), the Days' Cash on Hand Ratio is 155 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 30th day of March, 2017.

SSM HEALTH CARE CORPORATION

By Kris A. Zimmer

Name Kris A. Zimmer

Title Treasurer

For the Year ended December 31, 2016 ("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:	$442,575
B. Debt Service Requirements on Funded Indebtedness for the twelve month period ending on the Statement Date:	$73,326
C. Debt Service Coverage Ratio (Line II.A.9 / Line II.B):	6.0 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:	$2,049,498
B. Total Operating Expenses for the 12 month period ending at the Statement Date:	4,837,308
C. Days Cash (Line II.A. * 366 / Line II.B):	155 to 1
Measured on the second fiscal quarter and fourth fiscal quarter.	
Minimum required:	75 to 1

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 5.01 of 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:

None

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 30th day of March, 2017.

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

By Kris A. Zimmer

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, 2016

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	$442,575
2.	Debt Service Requirements on Funded Indebtedness (as Defined in the Master Indenture) for the Credit Group	$73,326
3.	Ratio of Line A1 to Line A2	6.04:1.0
4.	Line A3 must be greater than or equal to	1.10:1.0
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)	2,049,498
2.	366	366
3.	Product of Line B1 and Line B2	750,116,268
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	$4,837,308

5. Ratio of Line B3 to Line B4	155 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

FORM OF COMPLIANCE CERTIFICATE
(Series 2014K)

To: PNC Bank, National Association (the *"Purchaser"*)

This Compliance Certificate is furnished pursuant to the Continuing Covenant Agreement dated as of May 1, 2014, (as amended, modified, renewed or extended from time to time, the *"Agreement"*) between PNC Bank, National Association (the *"Purchaser"*) and SSM HEALTH CARE CORPORATION, a Missouri nonprofit corporation (the *"Corporation"*) for itself as Corporation and as Obligated Group Agent on behalf of the Obligated Group. 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 Corporation.

2. This Compliance Certificate is provided with respect to the **Fiscal Year ending on December 31, 2016** (the *"Relevant Period"*).

3. **Under my supervision, the Corporation has made a review of the activities during the preceding Fiscal Year for the purpose of determining whether or not each Member of the Obligated Group and each Credit Group Member has complied with all of the terms, provisions, covenants and conditions of the Agreement and the Related Documents to which it is a party, and to the best of my knowledge each Member of the Obligated Group and each Credit Group Member has kept, observed, performed and fulfilled each and every, provision, covenant and condition of the Agreement and the other Related Documents to which such member is a party;** and (except as set forth in paragraph 4 below), no Event of Default or Default has occurred.

4. I have no knowledge of the existence of any condition or event which constitutes an Event of Default or 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 6.01(ii)(2)(iv) of the Agreement, I certify on behalf of the Corporation that the Credit Group is in compliance with the financial covenants in Section 6.20 of the Agreement required to be satisfied as of the end of the Relevant Period, and specifically that as of December 31, 2016, for the Relevant Period:

(a) **Pursuant to Section 6.20(a), the Historical Debt Service Coverage Ratio as of December 31, 2016 is 6.04, for the 12-month period then ended. Pursuant to Section 6.20(b), the Days' Cash on Hand Ratio is 155 days as of December 31, 2016.**

(b) Annex I attached hereto sets forth financial data and computations evidencing the Credit Group'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 30th day of March, 2017.

SSM HEALTH CARE CORPORATION

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

ANNEX I
TO COMPLIANCE CERTIFICATE

SSM HEALTH CORPORATION

COMPLIANCE CALCULATIONS
FOR CONTINUING COVENANT AGREEMENT
DATED AS OF MAY 1, 2014

Calculations as of December 31, 2016

A. Historical Debt Service Coverage Ratio of the Credit Group (Section 6.20(a))

1	Income Available for Debt Service	$ 442,575
2	Debt Service Requirements on Funded Indebtedness	$ 73,326
3	Ratio of Line A1 to Line A2	6.04:1.0
4	Line A3 must be greater than or equal to	1.10:1.0
5	The Credit Group is in compliance (circle yes or no)	yes / no

B. Days Cash on Hand Ratio of the Credit Group (Section 6.20(b))

1	Total cash, cash equivalents and marketable securities of the Credit Group (not restricted as to use and not subject to any Lien other than a Lien of the Master Indenture). 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 Banks, for the sole or primary purpose of meeting the covenant set forth in Section 6.20(b) of the Agreement and (ii) cash of	$ 2,049,498

	the Credit Group which has been posted as collateral under any Swap Contract)	
2	366	366
3	Product of Line B1 and Line B2	750,116,268
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	$ 4,837,308
5	Ratio of Line B3 to Line B4	155 days
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 FOR 2010A & B BONDS

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 12/31/2016

Ladies and Gentlemen:

The undersigned is the Parent Representative as such term is defined in the Bond Trust Indenture dated as of May 1, 2010 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 May 1, 2010 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 12/31/16 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 Compliance Agreement and the Tax Use Agreements (collectively, the "Borrower 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 3/30/2017.

SSM HEALTH CARE CORPORATION

Kris A. Zimmer

By: Kris A. Zimmer
Its: Treasurer

HISTORICAL DEBT SERVICE COVERAGE

	Fiscal Year Ended December 31, (in thousands)		
	2015	2016	
Net Income	$ 277,712	$ 184,005	
Loss on early extinguishment of debt	-	-	
Depreciation and amortization	222,026	252,794	
Impairment loss	13,246	-	
Curtailment gain	(99,562)	-	
Unrealized (gains) losses	88,086	(30,634)	
MTM adjustment on interest rate swaps	1,402	(1,766)	
Interest expense	34,348	38,176	
Total income available	$ 537,258	$ 442,575	
	$ 537,258	$ 442,575	Annualized
Actual debt service	$ 72,594	$ 73,326	
Actual debt service coverage	7.4 x	6.0 x	

LIQUIDITY

	Fiscal Year Ended December 31, (in thousands)		
	2014	2015	2016
Current Assets:			
Cash and Investments	$119,605	$123,535	$114,373
Days Cash and Investments	12	11	9
Assets Whose Use is Limited (excluding trustee-held funds, self insurance trust funds and donor restricted funds)			
Cash and Investments	$1,702,237	$1,864,531	$1,935,125
Days Cash and Investments	177	169	146
Total Days Cash and Investments	189	180	155

SOURCES OF PATIENT REVENUES

	Net Revenue by Payor Fiscal Year Ended December 31,		
Payor	2014	2015	2016
Medicare	31%	29%	29%
Medicaid	14%	13%	14%
Managed Care	44%	46%	47%
Commercial, Self-Pay and Other	11%	12%	10%
	100%	100%	100%

UTILIZATION BY MARKET

Licensed Beds

Region	As of 12/31/2016 Acute	Post Acute
SSMH - St. Louis	2,250	0
SSMH - Wisconsin	590	311
SSMH - Oklahoma	870	0
SSMH - Southern Illinois	259	0
SSMH - Mid Missouri	255	0
SSMH - Maryville	81	0
Total	4,305	311

Admissions

Region	2014	2015	2016
SSMH - St. Louis	82,824	84,538	99,696
SSMH - Wisconsin	25,715	25,195	26,112
SSMH - Oklahoma	24,963	25,772	26,694
SSMH - Southern Illinois	12,484	13,185	13,284
SSMH - Mid Missouri	8,737	8,656	8,964
SSMH - Maryville	1,646	1,547	1,506
Total	156,369	158,893	176,256

Total Patient Days

	2014	2015	2016
SSMH - St. Louis	393,676	407,032	511,278
SSMH - Wisconsin	206,165	204,700	207,950
SSMH - Oklahoma	168,116	169,776	178,552
SSMH - Southern Illinois	47,705	51,767	49,922
SSMH - Mid Missouri	34,494	33,146	33,639
SSMH - Maryville	6,349	6,252	6,174
Total	856,505	872,673	987,515

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

Utilization Statistics for the most recent fiscal year:

Licensed Beds	4,616
Staffed Beds	3,927
Admissions*	176,256
Patient Days*	987,515
Average Length of Stay (Days)	5.6
Percentage occupancy**	68.7%
Emergency Room visits, net	765,866
Outpatient Clinic Visits	1,587,389

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

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

Medicare	29%
Medicaid	14%
Managed Care	47%
Other	10%

Medicare Case Mix Index for the most recent fiscal year: 1.73

SSMHealth

10101 Woodfield Lane
St. Louis, MO 63132
phone: 314-994-7800
ssmhc.com

March 30, 2017

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

Re: **SSM Health Care Credit Group**
Master Trust Indenture Annual Certifications
Series 1998B and 2002B Bonds

Dear Mrs. Mogelnicki:

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, 2016.

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

FORM OF COMPLIANCE CERTIFICATE

To: Union Bank, N.A. (the *"Agent"*)

This Compliance Certificate is furnished pursuant to that certain Libor Rate Loan Agreement dated as of May 1, 2014, (as amended, modified, renewed or extended from time to time, the *"Agreement"*) among 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 UNION BANK, N.A., as Agent for the Lenders (the *"Agent"*), and for itself as Initial Lenders, 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 Fiscal Year ending on December 31, 2016 (the *"Relevant Period"*).

3. **Under my supervision, the Borrower has made a review of the activities during the preceding Fiscal Year for the purpose of determining whether or not each Member of the Obligated Group and each Credit Group Member has complied with all of the terms, provisions, covenants and conditions of this Agreement and the Related Documents to which it is a party, and to the best of my knowledge each Member of the Obligated Group and each Credit Group Member has kept, observed, performed and fulfilled each and every, provision, covenant and condition of the Agreement and the other Related Documents to which such member is a party;** and (except as set forth in paragraph 4 below), no Event of Default or Default has occurred.

4. I have no knowledge of the existence of any condition or event which constitutes an Event of Default or 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 5.01(b)(ii)(4) of the Agreement, I certify on behalf of the Borrower that the Credit Group is in compliance with the financial covenants in Section 5.20-of the Agreement required to be satisfied as of the end of the Relevant Period, and specifically that as of December 31, 2016, for the Relevant Period:

(a) **Pursuant to Section 5.20(a), the Historical Debt Service Coverage Ratio as of December 31, 2016 is 6.04, for the 12-month period then ended. Pursuant to Section 5.20(b), the Days' Cash on Hand Ratio is 155 days as of December 31, 2016.**

(b) Annex I attached hereto sets forth financial data and computations evidencing the Credit Group'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 30th day of March, 2017.

SSM HEALTH CARE CORPORATION

By: Kris A Zimmer

Name: Kris A. Zimmer

Its: Treasurer

ANNEX I

TO COMPLIANCE CERTIFICATE

SSM HEALTH CORPORATION

COMPLIANCE CALCULATIONS
FOR LIBOR RATE LOAN AGREEMENT
DATED AS OF MAY 1, 2014

Calculations as of December 31, 2016

A. Historical Debt Service Coverage Ratio of the Credit Group (Section 5.20(a))

1	Income Available for Debt Service	$ 442,575
2	Debt Service Requirements on Funded Indebtedness	$ 73,326
3	Ratio of Line A1 to Line A2	6.04:1.0
4	Line A3 must be greater than or equal to	1.10:1.0
5	The Credit Group is in compliance (circle yes or no)	yes / no

B. Days Cash on Hand Ratio of the Credit Group (Section 5.20(b))

1	Total cash, cash equivalents and marketable securities of the Credit Group (not restricted as to use and not subject to any Lien other than a Lien of the Master Indenture). 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 Banks, for the sole or primary purpose of meeting the covenant set forth in Section 6.20(b) of the Agreement and (ii) cash of	$ 2,049,498

the Credit Group which has been posted as collateral under any Swap Contract)

2	366	366
3	Product of Line B1 and Line B2	750,116,268
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	$ 4,837,308
5	Ratio of Line B3 to Line B4	155 days
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

FORM OF COMPLIANCE CERTIFICATE
(Series 2014I)

To: U.S. Bank National Association (the *"Purchaser"*)

This Compliance Certificate is furnished pursuant to the Continuing Covenant Agreement dated as of May 1, 2014, (as amended, modified, renewed or extended from time to time, the *"Agreement"*) between U.S. Bank National Association (the *"Purchaser"*) and SSM HEALTH CARE CORPORATION, a Missouri nonprofit corporation (the *"Corporation"*) for itself as Corporation and as Obligated Group Agent on behalf of the Obligated Group. 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 Corporation.

2. This Compliance Certificate is provided with respect to the **Fiscal Year ending on December 31, 2016** (the *"Relevant Period"*).

3. **Under my supervision, the Corporation has made a review of the activities during the preceding Fiscal Year for the purpose of determining whether or not each Member of the Obligated Group and each Credit Group Member has complied with all of the terms, provisions, covenants and conditions of the Agreement and the Related Documents to which it is a party, and to the best of my knowledge each Member of the Obligated Group and each Credit Group Member has kept, observed, performed and fulfilled each and every, provision, covenant and condition of the Agreement and the other Related Documents to which such member is a party;** and (except as set forth in paragraph 4 below), no Event of Default or Default has occurred.

4. I have no knowledge of the existence of any condition or event which constitutes an Event of Default or 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 6.01(ii)(2)(iv) of the Agreement, I certify on behalf of the Corporation that the Credit Group is in compliance with the financial covenants in Section 6.20 of the Agreement required to be satisfied as of the end of the Relevant Period, and specifically that as of December 31, 2016, for the Relevant Period:

(a) **Pursuant to Section 6.20(a), the Historical Debt Service Coverage Ratio as of December 31, 2016 is 6.04 , for the 12-month period then ended. Pursuant to Section 6.20(b), the Days' Cash on Hand Ratio is 155 days as of December 31, 2016.**

(b) Annex I attached hereto sets forth financial data and computations evidencing the Credit Group'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 30th day of March, 2017.

SSM HEALTH CARE CORPORATION

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

ANNEX I
TO COMPLIANCE CERTIFICATE

SSM HEALTH CORPORATION

COMPLIANCE CALCULATIONS
FOR CONTINUING COVENANT AGREEMENT
DATED AS OF MAY 1, 2014

Calculations as of December 31, 2016

A. Historical Debt Service Coverage Ratio of the Credit Group (Section 6.20(a))

1	Income Available for Debt Service	$ 442,575
2	Debt Service Requirements on Funded Indebtedness	$ 73,326
3	Ratio of Line A1 to Line A2	6.04:1.0
4	Line A3 must be greater than or equal to	1.10:1.0
5	The Credit Group is in compliance (circle yes or no)	yes / no

B. Days Cash on Hand Ratio of the Credit Group (Section 6.20(b))

1	Total cash, cash equivalents and marketable securities of the Credit Group (not restricted as to use and not subject to any Lien other than a Lien of the Master Indenture). 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 Banks, for the sole or primary purpose of meeting the covenant set forth in Section 6.20(b) of the Agreement and (ii) cash of	$ 2,049,498

	the Credit Group which has been posted as collateral under any Swap Contract)	
2	366	366
3	Product of Line B1 and Line B2	750,116,268
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	$ 4,837,308
5	Ratio of Line B3 to Line B4	155 days
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 E

COMPLIANCE CERTIFICATE

To: U.S. Bank National Association, as Administrative Agent

This Compliance Certificate is furnished pursuant to that certain Revolving Credit Agreement dated as of April 22, 2016 (as amended, modified, renewed or extended from time to time, the "Agreement") by and among SSM Health Care Corporation, a Missouri nonprofit corporation (the "Corporation") as Obligated Group Agent on behalf of itself and each Member of the Obligated Group, the several financial institutions from time to time party to this Agreement, and U.S. Bank National Association, as Administrative Agent. 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 Corporation.

2. This Compliance Certificate is provided with respect to the fiscal year ending on December 31, 2016 (the "Relevant Period").

3. [Under my supervision, the Corporation has made a review of the activities during the preceding fiscal year for the purpose of determining whether or not each Member of the Obligated Group and each Credit Group Member has complied with all of the terms, provisions, covenants and conditions of this Agreement and the Loan Documents to which it is a party, and to the best of my knowledge each Member of the Obligated Group and each Credit Group Member has kept, observed, performed and fulfilled each and every, provision, covenant and condition of the Agreement and the other Loan Documents to which such member is a party.] [The unaudited financial statements referred to in Section 6.1(i)(1) of the Agreement for the most recent fiscal quarter have been prepared on substantially the same basis as the most recent annual financial statements delivered to the Administrative Agent and the quarterly financial statements previously furnished to the Administrative Agent pursuant to Section 6.1(i) (1) of the Agreement; and (except as set forth in paragraph 4 below), no Event of Default or Default has occurred.]

4. I have no knowledge of the existence of any condition or event which constitutes an Event of Default or 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 Events of Default or Defaults exist, and with respect to each such Event of Default or Default I have described in detail the nature of such Event of Default or Default, the period of its existence, the nature and status thereof and the remedial steps which the Corporation has taken, is taking, or proposes to take to correct or remedy such Default:

NONE

5. In accordance with Section 6.1 of the Agreement, I certify on behalf of the Corporation that the Corporation is in compliance with the financial covenants in Section 6.19 of the Agreement required to be satisfied as of the end of the Relevant Period, and specifically that as of December 31, 2016, for the Relevant Period:

(a) [Pursuant to Section 6.19(a), the Historical Debt Service Coverage Ratio as of December 31, 2016 is 6.04, for the 12-month period then ended.] [Pursuant to Section 6.19(b), the Days' Cash on Hand Ratio is 155 days as of December 31, 2016.

(b) Annex I attached hereto sets forth financial data and computations evidencing the Corporation'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 30th day of March, 2017.

SSM HEALTH CARE CORPORATION

By Kris A. Zimmer

Name Kris A. Zimmer

Title Treasurer

ANNEX I

TO COMPLIANCE CERTIFICATE

SSM HEALTH CORPORATION

COMPLIANCE CALCULATIONS
FOR REVOLVING CREDIT AGREEMENT
DATED APRIL 22, 2016

Calculations as of December 31, 2016

A. Historical Debt Service Coverage Ratio of the Credit Group (Section 6.19(a))

1	Income Available for Debt Service	$ 442,575
2	Debt Service Requirements on Funded Indebtedness	$ 73,326
3	Ratio of Line A1 to Line A2	6.04:1.0
4	Line A3 must be greater than or equal to	1.10:1.0
5	The Credit Group is in compliance (circle yes or no)	yes / no

B. Days Cash on Hand Ratio of the Credit Group (Section 6.19(b))

1	Total cash, cash equivalents and marketable securities of the Credit Group (not restricted as to use and not subject to any Lien other than a Lien of the Master Indenture). 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 Banks, for the sole or primary purpose of meeting the covenant set forth in Section 6.20(b) of the Agreement and (ii) cash of	$ 2,049,498

	the Credit Group which has been posted as collateral under any Swap Contract)	
2	366	366
3	Product of Line B1 and Line B2	750,116,268
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	$ 4,837,308
5	Ratio of Line B3 to Line B4	155 days
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 2008A LOAN AGREEMENT CERTIFICATES OF COMPLIANCE

The attached documents constitute the forms of annual Certificates of Compliance contained in the Series 2008A 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: Kerry McFarland

Re: **Certificate of Compliance for Fiscal Year Ending December 31, 2016**

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, 2016 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 March 30, 2017

SSM HEALTH CARE CORPORATION

By Kris A. Zimmer

Kris A. Zimmer
Treasurer

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, 2016

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, 2016 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 3/30/2017.

SSM Health Care Corporation

Kris A. Zimmer

By: Kris A. Zimmer
Its: Treasurer

SSM Health

Consolidated Financial Statements as of and for the Years Ended December 31, 2016 and 2015, Additional Information as of and for the Years Ended December 31, 2016 and 2015, and Independent Auditors' Report

SSM HEALTH

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of SSM Health Care Corporation and its subsidiaries (doing business as SSM Health) (SSMH), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, 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 SSMH'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 SSMH'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 SSMH as of December 31, 2016 and 2015, and the results of its operations and its 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 56–61 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 SSMH'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

March 29, 2017

SSM HEALTH

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2016 AND 2015
(In thousands)

	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 167,548	$ 86,811
Investments	33,859	52,900
Current portion of assets limited as to use	334,557	387,390
Patient accounts receivable—less allowance for uncollectible accounts of $149,509 in 2016 and $131,566 in 2015	671,300	575,601
Premium receivable—less allowance for uncollectible accounts of $1,000 in 2016 and 2015	8,018	6,301
Other receivables	298,583	262,183
Inventories, prepaid expenses, and other	143,092	130,231
Estimated third-party payor settlements	38,249	23,856
Total current assets	1,695,206	1,525,273
ASSETS LIMITED AS TO USE OR RESTRICTED—Excluding current portion	2,319,809	2,312,289
PROPERTY AND EQUIPMENT—Net	2,234,929	2,111,632
OTHER ASSETS:		
Goodwill	121,191	107,230
Intangible assets—net	243,842	268,394
Investments in unconsolidated entities	96,542	89,697
Other	11,989	11,413
Total other assets	473,564	476,734
TOTAL	$ 6,723,508	$ 6,425,928
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Revolving line of credit	$ 150,125	$ 152
Current portion of long-term debt and capital lease obligations	35,087	34,981
Accounts payable, accrued expenses, and other current liabilities	1,020,411	931,520
Commercial paper	399,870	349,937
Short-term borrowings	300,000	300,000
Unearned premiums	23,883	29,573
Payable under securities lending agreements	45,532	119,711
Estimated third-party payor settlements	158,158	128,630
Total current liabilities	2,133,066	1,894,504
LONG-TERM DEBT—Excluding current portion	1,262,882	1,297,515
ESTIMATED SELF-INSURANCE OBLIGATIONS	97,466	97,271
CAPITAL LEASE OBLIGATIONS—Excluding current portion	21,839	23,430
PENSION LIABILITY	809,290	687,327
OTHER LIABILITIES	293,113	289,102
Total liabilities	4,617,656	4,289,149
NET ASSETS:		
Unrestricted:		
Noncontrolling interest in subsidiaries	155,057	153,620
SSM Health unrestricted net assets	1,873,787	1,903,755
Total unrestricted net assets	2,028,844	2,057,375
Temporarily restricted	48,754	53,667
Permanently restricted	28,254	25,737
Total net assets	2,105,852	2,136,779
TOTAL	$ 6,723,508	$ 6,425,928

See notes to consolidated financial statements.

SSM HEALTH

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In thousands)

	2016	2015
OPERATING REVENUES AND OTHER SUPPORT:		
Net patient service revenues before provision for uncollectible accounts	$ 4,506,952	$ 4,011,542
Less provision for uncollectible accounts	(286,710)	(209,475)
Net patient service revenues	4,220,242	3,802,067
Premiums earned	1,308,867	1,258,226
Investment income	36,567	3,299
Income from unconsolidated entities—net	16,816	18,836
Other revenue	519,644	371,137
Net assets released from restrictions	7,035	5,738
Total operating revenues and other support	6,109,171	5,459,303
OPERATING EXPENSES:		
Salaries and benefits	2,722,662	2,434,197
Curtailment gain on pension plans	-	(99,554)
Medical claims	564,548	528,872
Supplies	1,157,188	918,425
Professional fees and other	1,325,165	1,134,493
Interest	56,788	54,901
Depreciation and amortization	272,808	244,992
Impairment loss	-	13,246
Total operating expenses	6,099,159	5,229,572
INCOME FROM OPERATIONS	10,012	229,731
NONOPERATING GAINS AND (LOSSES):		
Investment income (loss)	87,492	(20,472)
Other—net	1,214	673
Total nonoperating gains (losses)—net	88,706	(19,799)
EXCESS OF REVENUES OVER EXPENSES BEFORE CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS AND INCOME TAXES	98,718	209,932
CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS	1,766	(1,402)
EXCESS OF REVENUES OVER EXPENSES BEFORE INCOME TAXES	100,484	208,530
INCOME TAX EXPENSE	1,118	2,365
EXCESS OF REVENUES OVER EXPENSES	99,366	206,165
EXCESS OF REVENUES OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	5,841	8,025
EXCESS OF REVENUES OVER EXPENSES—Net of noncontrolling interest	$ 93,525	$ 198,140

(Continued)

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In thousands)

	2016	2015
UNRESTRICTED NET ASSETS:		
Excess of revenues over expenses	$ 99,366	$ 206,165
Pension-related changes other than net periodic pension cost	(135,884)	(70,443)
Net assets released from restrictions for property acquisitions	11,177	16,250
Distributions to noncontrolling owners	(5,602)	(4,412)
Noncontrolling interest related to acquisition	1,198	128,700
Other—net	1,214	(1,129)
(Decrease) increase in unrestricted net assets	(28,531)	275,131
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions for charity care, property acquisitions, and other programs	11,218	33,594
Gains (losses) on investments—net	2,089	(297)
Net assets released from restrictions for operations	(7,035)	(5,738)
Net assets released from restrictions for property acquisitions	(11,177)	(16,250)
Other—net	(8)	333
(Decrease) increase in temporarily restricted net assets	(4,913)	11,642
PERMANENTLY RESTRICTED NET ASSETS:		
Contributions for charity care and other programs	1,822	427
Gains (losses) on investments—net	695	(183)
Other—net	-	(11)
Increase in permanently restricted net assets	2,517	233
CHANGE IN NET ASSETS	(30,927)	287,006
NET ASSETS—Beginning of year	2,136,779	1,849,773
NET ASSETS—End of year	$2,105,852	$2,136,779

See notes to consolidated financial statements.

(Concluded)

SSM HEALTH

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In thousands)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (30,927)	$ 287,006
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncontrolling interest related to acquisition	(1,198)	(128,700)
Pension-related changes other than net periodic pension cost	135,884	70,443
Curtailment gain on pension plans	-	(99,554)
Depreciation and amortization	272,808	244,992
Impairment loss	-	13,246
Provision for uncollectible accounts and bad debts	286,654	211,435
Contributions restricted for long-term investment	(3,268)	(25,715)
Distributions to noncontrolling owners—net	5,602	4,412
Gains and losses on investments—net	(99,118)	52,311
Equity in earnings of unconsolidated entities	(16,816)	(18,836)
Change in fair value of interest rate swaps	(1,766)	1,402
Loss (gain) on disposal of assets	1,064	(17,603)
Distributions from unconsolidated entities	12,081	18,756
Changes in assets and liabilities:		
Investments	18,318	89,764
Patient accounts receivable	(381,549)	(312,530)
Premiums receivable	(1,717)	1,033
Other receivables, inventories, prepaid expenses, and other	(65,654)	(107,922)
Accounts payable, accrued expenses, and other liabilities	105,219	145,113
Other changes to pension liability	(15,249)	(1,542)
Estimated self-insurance obligations	37	19,002
Net cash provided by operating activities	220,405	446,513
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(322,139)	(265,866)
Proceeds from disposal of property and equipment	2,540	19,344
Purchase of assets limited as to use or restricted	(5,288,283)	(5,338,256)
Proceeds from sales of assets limited as to use or restricted	5,354,720	5,135,510
Contributions to unconsolidated entities	(2,369)	(613)
Acquisition of hospitals and health care entities—net of cash received	(8,967)	6,841
Purchases of other assets	(37,844)	(27,937)
Net cash used in investing activities	(302,342)	(470,977)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(36,263)	(60,169)
Contributions restricted for long-term investment	3,268	25,715
Distributions to noncontrolling owners—net	(5,602)	(4,412)
Proceeds from patient loans	11,539	12,324
Payments on patient loans	(10,174)	(7,706)
Proceeds from short-term borrowings and commercial paper	49,933	150,000
Proceeds from revolving line of credit	258,900	22,280
Payments on revolving line of credit	(108,927)	(122,316)
Net cash provided by financing activities	162,674	15,716
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	80,737	(8,748)
CASH AND CASH EQUIVALENTS—Beginning of year	86,811	95,559
CASH AND CASH EQUIVALENTS—End of year	$ 167,548	$ 86,811

See notes to consolidated financial statements.

1. ORGANIZATION

SSM Health (SSMH) is a multiinstitutional health care system located primarily in Missouri, Oklahoma, Wisconsin, and Illinois. SSM Health Care Corporation (SSMHCC) (doing business as SSMH) is the principal not-for-profit corporation that holds membership or stock ownership in other affiliated corporations. SSMHCC has been established as the parent corporation. Through its affiliated corporations, SSMH owns and operates 19 acute care hospitals, one children's hospital, two long-term care facilities, a health maintenance organization, a national pharmacy benefit management company, an extensive network of physician practice operations, and other health care businesses.

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). Certain subsidiaries of SSMH are for-profit entities that are taxable under the IRC.

SSMH is sponsored by SSM Health Ministries, an independent eight-member body composed of three Franciscan Sisters of Mary and five lay people who collectively hold certain reserved powers over SSMH.

2. SSMH 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 SSMH Liability Trust I and SSMH Liability Trust II as described in Note 14. 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. The carrying amounts reported in the consolidated balance sheets approximate their fair value.

Investments—Investments are measured at fair value and include liquid investments maintained for near-term cash flow purposes, with original maturities at time of purchase of greater than three months.

Financial Instruments—Management's estimates of the fair value of 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, 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 US economy and the financial markets, there is uncertainty regarding the long-term impact market conditions will have on SSMH'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.

SSMH'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, SSMH 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 SSMH. Accounts placed with collection agencies are written off and excluded from patient accounts receivable and allowance for uncollectible accounts.

SSMH has entered into a contractual agreement with a third-party bank to provide interest-free loans to SSMH's patients. This arrangement provides for the full recourse purchase of qualifying patient liability accounts receivable balances by the bank, for a nominal fee to SSMH. The bank enters into a loan agreement with the patient and proceeds to bill and collect payments from the patient. If the patient defaults on the loan agreement or the loan meets certain other criteria, the bank will request repayment of the remaining loan balance from SSMH. Because SSMH is responsible for the repayment of the full amount of the patient loan balance under certain circumstances, an obligation is recorded in current liabilities and a corresponding current receivable is recorded. The outstanding loan balance under this agreement was $15,289 and $14,613 at December 31, 2016 and 2015, respectively, which is included in accounts payable, accrued expenses, and other current liabilities. The corresponding receivable is included in other receivables.

Other Receivables—Other receivables consist primarily of amounts from clients for pharmacy and member claims and rebates receivable from pharmaceutical manufacturers. SSMH assumes no risk for payment of the claims and considers these accounts to be fully collectible.

Premium Receivable and Unearned Premiums—Premiums are recognized in the period for which services are covered. Premium receivable includes 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. SSMH held inventories in the amount of $93,323 and $85,627 at December 31, 2016 and 2015, respectively. These amounts are included in inventories, prepaid expenses, and other.

Estimated Third-Party Payor Receivable and Payable Settlements—SSMH 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. These estimated amounts are subject to further adjustments upon review by third-party payors.

As of December 31, 2016 and 2015, $51,448 and $57,982, respectively, is included in estimated third-party settlement payables related to an adverse ruling by Centers for Medicare and Medicaid Services (CMS) in 2013 requiring repayment of certain amounts previously paid to SSMH through Medicare.

Assets Limited as to use or Restricted—Assets limited as to use include investments and other assets set aside by the Board of Directors or management 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. Assets restricted as to use include investments and other assets whose use is restricted by donors (temporarily or permanently).

Pooled Investments—SSMH holds the majority of its investments in a pooled investment program, which also includes the investments of its defined benefit plans. The earnings are allocated proportionately according to ownership percentages as defined in pooled investment agreements.

SSMH 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. SSMH 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. Interest and dividend income on investments for which the fair value option has been elected is included in either nonoperating investment income or other operating revenue depending on various factors as described in SSMH's investment income accounting policy below.

Derivative Instruments—It is SSMH'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, SSMH periodically enters into derivative arrangements to manage interest rate risk related to variable rate debt.

Within established investment policy guidelines, SSMH may also enter into various exchange-traded and over-the-counter derivative contracts for economic hedging purposes, including futures, options, swaps and forward contracts.

SSMH records derivative instruments as either an asset or liability measured at its fair value (Note 7). The estimated fair value of all derivative instruments has been determined using available market information and valuation methodologies, primarily discounted cash flows. These amounts are reported in other noncurrent liabilities for interest rate swap derivatives and in assets whose use is limited for investment asset derivatives. SSMH does not offset fair value amounts recognized for derivative instruments and fair value amounts recognized for cash collateral posted.

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. See Note 17 – Derivative Instruments.

Securities Lending Program—SSMH participates in securities lending transactions with its custodian whereby SSMH lends a portion of its investments to various brokers in exchange for collateral for the securities loaned, usually on a short-term basis. SSMH 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 102 percent of the original market value of the securities on loan, and is subsequently adjusted for market fluctuations. SSMH must return to the borrower the original value of collateral received regardless of the impact of market fluctuations. All collateral is in the form of treasury securities, which can be re-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 a securities lending program and an obligation is recorded in current liabilities for repayment of collateral upon settlement of the lending transaction. The fees received for these transactions are recorded in investment income.

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.

SSMH 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. There were no impairments identified during 2016 or 2015.

Goodwill—Goodwill represents the future economic benefits arising from assets acquired in business combinations that are not individually identified and separately recognized. 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. Fair value of a reporting unit is estimated using a combination of income-based and market-based valuation methodologies. An impairment is recorded if the carrying value of the goodwill exceeds its implied fair value.

Intangible Assets—Intangible assets include capitalized computer software costs, tradenames, noncompete 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 intangible assets is included in depreciation and amortization expense. SSMH reviews the carrying value of its amortizable intangible assets only when impairment indicators are present. SSMH 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 2016 or 2015.

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 expenses 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. SSMH utilizes the equity method of accounting for its investments in unconsolidated entities over which it exercises significant influence. SSMH evaluates these investments for other-than-temporary impairment in accordance with accounting standards for equity method investments. There were no impairments identified during 2016 or 2015.

Pension Liability—Pension liability represents the value of the projected benefit obligation of SSMH'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 2016, SSMH recorded $135,884 to increase its pension liability and decrease unrestricted net assets. The loss was primarily a result of a lower discount rate. In 2015, SSMH recorded $70,443 to increase its pension liability and decrease unrestricted net assets. The loss was a result of lower-than-anticipated investment returns in 2015 and amendments to the pension plans adopted in 2015. The plan amendments resulted in the recognition of a curtailment gain during the year ended December 31, 2015, as described in Note 13.

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

Temporarily and Permanently Restricted Net Assets—Temporarily restricted net assets are those whose use by SSMH 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 SSMH 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 percent owned or controlled entities that SSMH controls in accordance with applicable accounting guidance. Accordingly, SSMH has reflected a noncontrolling interest for the portion of net assets not owned or controlled by SSMH separately on the consolidated balance sheets.

Net Patient Service Revenues—SSMH recognizes net patient service revenues before provision for uncollectible accounts in the period in which services are provided. SSMH 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—SSMH receives capitation insurance premiums based on the demographic characteristics of covered members in exchange for providing comprehensive medical services for those members. SSMH recorded capitated revenue of $1,203,365 and $1,165,955 for the years ended December 31, 2016 and 2015, respectively. Capitation revenue is included in premiums earned. Premiums earned also include administration fees recognized on a per-member, per-month basis earned by Navitus of $89,894 and $83,460 for the years ended December 31, 2016 and 2015, respectively, as well as other administrative fees.

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 $80,215 and $53,294 for the years ended December 31, 2016 and 2015, respectively. Recoveries consist mainly of drug company volume discounts, 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 change in estimate is identified 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 operating investment income. 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.

SSMH values commingled funds, hedge funds, and certain partnership interests and real asset investments at net asset value. Real assets and private equity investments not recorded at net asset value are recorded at fair value as determined by external fund managers based on factors described in Note 7. Gains and losses on these investments are included in nonoperating investment income unless it is restricted by donors.

SSMH 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 in unconsolidated entities.

SSMH reports investment income net of investment fees paid. Investment fees totaled $10,804 and $8,525 for the years ended December 31, 2016 and 2015, respectively.

Contributions—Contributions, including unconditional promises to give, are recognized at their fair value at the time of receipt. For financial reporting purposes, SSMH 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 SSMH must hold in perpetuity or for a donor-specified period. SSMH 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. SSMH 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 SSMH entity that received the donation. SSMH 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 SSMH'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 percent federally funded and administered by the states. 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.

SSMH 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. SSMH 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, 2016 and 2015, certain of SSMH's entities satisfied the CMS AIU and/or meaningful use criteria. As a result, SSMH recognized $864 and $3,593 of Medicaid EHR incentive payments as other revenue for the years ended December 31, 2016 and 2015, respectively. SSMH recognized $9,707 and $16,706 of Medicare EHR incentive payments as other revenue for the years ended December 31, 2016 and 2015, respectively. SSMH recorded $0 and $38 of Medicare EHR as deferred revenue at December 31, 2016 and 2015, respectively.

Performance Indicator—The consolidated statements of operations and changes in net assets include excess of revenues over expenses as SSMH'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 unconsolidated entities; 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); distributions to noncontrolling owners; and pension-related changes other than the net periodic pension cost.

Consolidated Statements of Operations—For the 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 revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

Advertising Costs—SSMH expenses advertising costs as they are incurred. Advertising expenses were $20,666 and $17,956 for the years ended December 31, 2016 and 2015, respectively, and are included in professional fees and other.

Income Taxes—SSMH 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, SSMH 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. 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 as a whole.

SSMH'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.

SSMH 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 2016 or 2015.

Use of Estimates—The preparation of the consolidated financial statements in conformity with US 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. Estimates can significantly impact the following balances reported on the consolidated balance sheets: assets limited as to use, allowances for uncollectible accounts receivable, estimated third-party payor settlements, goodwill and net intangible assets, self-insurance obligations, pension liability, medical claims payable, and other liabilities. Actual results could differ from those estimates.

Non-Cash Transactions—During the years ended December 31, 2016 and 2015, SSMH had the following non-cash transactions:

	2016	**2015**
Collateral received under securities lending program	$74,179	$ 6,559
Property and equipment purchases included in accounts payable	34,271	20,977
Capital leases	600	-
Acquisition of hospital and health care entities	-	136,745

Premium Stabilization and Cost-Sharing Reduction Programs—During 2014, under the Affordable Care Act (ACA), three programs (collectively referred to as the "Premium Stabilization Programs") designed to stabilize health insurance markets and an additional program (the "Cost-Sharing Reduction Program") designed to assist low-income insureds with their member responsibility payments became effective. The Premium Stabilization Programs include a permanent risk adjustment program, a temporary risk corridors program, and a transitional reinsurance program. The risk-adjustment provisions of the ACA are permanent regulations and apply to market-reform-compliant individual and small group plans in the commercial markets. The risk corridors provisions of the ACA will be in place for three years and are intended to limit the gains and losses of individual and small group qualified health plans. The reinsurance program is a temporary three-year program that is funded on a per capita basis from all commercial lines of business including insured and self-funded arrangements. Only issuers of market-reform-compliant individual plans are eligible for reinsurance recoveries from the risk pools. The Cost-Sharing Reduction Program provides a reimbursement for a portion of health care costs for certain low-income individual members of eligible plans.

SSMH has recorded receivables and payables based on estimates determined in accordance with the ACA programs described above and anticipated program funding availability. The net amount is not material to the consolidated financial statements in 2016 and 2015. The final determination and settlement of net amounts receivable or payable are not anticipated to have a material adverse impact on SSMH's consolidated cash flows and operations.

New Accounting Pronouncements—

In March 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-07, *Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement*

Benefit Cost. The ASU requires an employer to report the service cost component in the same line item as other compensation costs arising from services rendered by employees during the period. It also requires the other components of net periodic pension cost and net periodic postretirement benefit cost to be presented separately from the service cost component and outside a subtotal of income from operations. SSMH will adopt ASU 2017-07 in the reporting period beginning January 1, 2019. SSMH is currently evaluating the potential impact on the consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which eliminates Step 2 from the goodwill impairment test. Instead, an entity will test goodwill by comparing the fair value of a reporting unit with its carrying amount. SSMH will early adopt ASU 2017-04 in the reporting period beginning January 1, 2017, and it is not expected to have an impact on the consolidated financial statements.

In January 2017, the FASB issued ASU 2017-02, *Not-for-Profit Entities-Consolidation (Subtopic 958-810)*, which amends the consolidation guidance in Subtopic 958-810 to clarify when a not-for-profit entity that is a general or limited partner should consolidate a for-profit limited partnership or similar legal entity. SSMH will adopt ASU 2017-02 in the reporting period beginning January 1, 2017, and it is not expected to have an impact on the consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805)-Clarifying the Definition of a Business*, which provides a framework to use in determining when a set of assets and activities is a business. SSMH will adopt ASU 2016-16 in the reporting period beginning January 1, 2019, and it is not expected to have an impact on the consolidated financial statements.

In December 2016, the FASB issued ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, which clarifies or corrects unintended applications of the guidance found in ASU 2014-09, *Revenue From Contracts With Customers.* In May 2016, the FASB issued ASU 2016-12, *Revenue From Contracts with Customers: Narrow-Scope Improvements and Practical Expedients*, which amends certain aspects of the FASB's revenue standard ASU 2014-09. In April 2016, FASB issued ASU 2016-10, *Revenue From Contracts with Customers: Identifying Performance Obligations and Licensing*, which clarifies the identifying performance obligations and the licensing implementation guidance contained in ASU 2014-09. In March 2016, the FASB issued ASU 2016-08, *Revenue From Contracts with Customers: Principal Versus Agent Considerations (Reporting Revenue Gross Versus Net)*. This guidance amends the principal versus agent implementation guidance and illustrations in the FASB's revenue standard, ASU 2014-09. In August 2015, the FASB issued ASU 2015-14, *Revenue From Contracts with Customers (Topic 606),* which defers the effective date of ASU 2014-09 by one year for all entities and permits early adoption on a limited basis. In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* ASU 2014-09 will enhance the comparability of revenue-recognition practices across entities, industries, jurisdictions, and capital markets; reduce the number of requirements that must be considered in recognizing revenue; improve disclosure to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized; and provide guidance for transactions that are not currently addressed comprehensively. SSMH will adopt ASU 2014-09 in the reporting period beginning January 1, 2018. SSMH is currently evaluating the potential impact on the consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows – Restricted Cash*, which requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. SSMH will adopt ASU 2016-18 in the reporting period beginning January 1, 2019. Upon adoption, SSMH will include restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statements of cash flows and related disclosures. Adoption will not have an impact on the consolidated balance sheets or consolidated statements of operations and changes in net assets.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740) – Intra-Entity Transfers of Assets Other Than Inventory*, which changes the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. The new guidance states an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. SSMH will adopt ASU 2016-16 in the reporting period beginning January 1, 2019, and it is not expected to have an impact on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments*, which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how they are presented and classified in the statement of cash flows. SSMH will adopt ASU 2016-15 in the reporting period beginning January 1, 2019, and it is not expected to have an impact on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* to improve the financial reporting of not-for-profit entities. The guidance requires two categories of net assets instead of the current three and will enhance disclosures. SSMH will adopt ASU 2016-14 in the reporting period beginning January 1, 2018, and is currently evaluating the potential impact on the consolidated financial statements.

In March 2016, The FASB issued ASU 2016-07, *Investments – Equity Method and Joint Ventures (Topic 323) – Simplifying the Transition to the Equity Method of Accounting*, which eliminates the requirement to retrospectively apply the equity method to an investment that becomes qualified for the equity method of accounting as a result of an increase in the level of ownership interest or degree of influence. SSMH will adopt ASU 2016-07 in the reporting period beginning January 1, 2017, and it is not expected to have an impact on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842),* to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 retains a distinction between operating leases and financing leases, and the classification criteria is substantially similar to previous lease guidance. The main change in the new guidance is the requirement for all leases to be recognized on the balance sheet at the present value of lease payments. SSMH will adopt ASU 2016-02 in the reporting period beginning January 1, 2019. SSMH is currently evaluating the impact on the consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, *Business Combinations (Topic 805)—Simplifying the Accounting for Measurement-Period Adjustments,* which removes the requirement to retrospectively account for measurement-period adjustments. An acquirer will recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. ASU 2015-16 also requires either separate presentation on the face of the income statement or disclosure in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. SSMH early adopted ASU 2015-16 for the December 31, 2016 consolidated financial statements and therefore, disclosures included within these consolidated financial statements have been updated to reflect the new disclosure requirements. There was no material impact to the consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330)—Simplifying the Measurement of Inventory,* which states that entities using either first-in, first-out or average cost inventory methods should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. SSMH will adopt ASU 2015-11 in the reporting period beginning January 1, 2017, and is currently evaluating the potential impact on the consolidated financial statements.

In May 2015, the FASB issued ASU 2015-09, *Financial Services—Insurance (Topic 944)—Disclosures about Short-Duration Contracts,* which requires additional disclosures for annual reporting periods related to the liability for unpaid claims and claim adjustment expenses in order to increase transparency of significant estimates made in measuring these liabilities. SSMH will adopt ASU 2015-09 in the reporting period beginning January 1, 2017. SSMH is currently evaluating the potential impact on the consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest—Imputation of Interest (Subtopic 835-30)—Simplifying the Presentation of Debt Issuance Costs,* which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. SSMH adopted ASU 2015-03 for the December 31, 2016 consolidated financial statements, which resulted in a $7,331 reduction to total assets and total liabilities as previously reported in the December 31, 2015 consolidated balance sheet. As of December 31, 2016, $6,668 of deferred financing costs are included in long-term debt.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.* ASU 2014-15 provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. SSMH will adopt ASU 2014-15 in the reporting period beginning January 1, 2017, and it is not expected to have an impact on the consolidated financial statements.

3. UNCOMPENSATED CARE

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

SSMH voluntarily provides free care to patients who are unable to pay for all or part of their health care expenses as determined by SSMH's criteria for financial assistance.

Because SSMH does not pursue the collection of amounts determined to qualify as charity care, they are not reported as patient service revenues.

In some cases, SSMH 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 uncollectible accounts are below. 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 uncollectible charges to determine estimated costs.

	2016	2015
Cost of charity care	$ 98,561	$ 78,695
Cost of uncollectible accounts	99,483	71,213

SSMH 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 SSMH'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.

SSMH 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, SSMH 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. SSMH 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.

SSMH 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 private third-party payors in that location. The total discounts provided to uninsured patients under this policy were $295,463 and $239,858 for the years ended December 31, 2016 and 2015, 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.

SSMH participates in assessment programs in the four states in which it operates. For the year ended December 31, 2016, SSMH recognized $263,459 in revenue and $174,306 in expenses relating to these programs. For the year ended December 31, 2015, SSMH recognized $235,573 in revenue and $153,809 in expenses relating to these programs.

The table below shows the sources of net patient service revenue before provision for uncollectible accounts.

	2016	2015
Medicare	$ 1,263,788	$ 1,145,628
Medicaid	599,776	512,957
Managed Care	2,191,989	1,896,655
Other	451,399	456,302
Net patient service revenue before provision for uncollectible accounts	$ 4,506,952	$ 4,011,542

A summary of SSMH's Medicare, Medicaid, and managed care utilization percentages, based upon net patient revenue before provision for uncollectible accounts is as follows:

	2016	2015
Medicare	28 %	29 %
Medicaid	13	13
Managed Care	49	47
Other	10	11
	100 %	100 %

In 2016 and 2015, net patient service revenues increased by $6,135 and $7,172, respectively, relating to changes in estimates for prior years' settlements from Medicare, Medicaid, and other programs.

5. CONCENTRATION OF CREDIT RISK

SSMH provides health care services through its inpatient and outpatient care facilities located in their respective communities. SSMH 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 nonemergency circumstances or for elective procedures, SSMH's policy is to verify insurance prior to treatment; however, exceptions can occur. SSMH 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).

SSMH 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 entity basis and is based upon the aging of accounts receivable by payor class, historical collection experience, and other relevant factors. During 2015, SSMH revised its financial assistance and billing and collections policies in order to comply with IRS 501(r) regulations in accordance with the ACA. These policy changes did not have a significant impact on the allowance for uncollectible accounts or on net patient receivables as of December 31, 2015. There were no changes to the financial assistance or billing and collections policies in 2016.

The mix of net receivables from patients and third-party payors as of December 31, 2016 and 2015, is as follows:

	2016	**2015**
Medicare	17 %	22 %
Medicaid	12	8
Managed Care	45	41
Other	26	29
	100 %	100 %

6. ASSETS LIMITED AS TO USE OR RESTRICTED

The SSMH Board of Directors and management have 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, 2016 and 2015, is as follows:

	2016	2015
Assets limited as to use:		
Board designated for property and equipment, long-term employee benefit programs, and other	$2,327,239	$2,312,359
Securities on deposit as required by state regulators	30,531	19,062
Held by trustee:		
Project funds	-	170
Bond funds	34	2,652
Self-insurance (Note 14)	174,022	166,321
Collateral held under securities lending agreements	45,532	119,711
	219,588	288,854
Assets restricted by donor as to use:		
Temporarily restricted	48,754	53,667
Permanently restricted	28,254	25,737
	77,008	79,404
Total assets limited as to use or restricted	2,654,366	2,699,679
Less current portion	334,557	387,390
Noncurrent portion	$2,319,809	$2,312,289

A summary of investment income for the years ended December 31, 2016 and 2015, is as follows:

	2016	2015
Interest and dividends	$ 37,950	$ 45,630
Realized and unrealized gains (losses) on investments—net	88,893	(63,283)
Total	$126,843	$(17,653)

The change in net unrealized gain (loss) on investments held at December 31, 2016 and 2015, was $35,532 and $(101,667), respectively.

Gains and losses on investments by major category of investments for the years ended December 31, 2016 and 2015, is as follows:

	2016	2015
Corporate obligations, government securities and other fixed income	$ 14,664	$(29,285)
Domestic equities	51,442	(13,598)
International equities	14,324	(38,556)
Real asset investments	6,681	17,001
Hedge funds	(3,184)	1,184
Private equity	(202)	-
Other	5,168	(29)
Total	$ 88,893	$(63,283)

The gains and losses related to each category include realized and unrealized gains and losses on both derivative and nonderivative instruments.

Investment income (loss) is reported as follows:

	2016	2015
Operating investment income	$ 36,567	$ 3,299
Nonoperating investment income (loss)	87,492	(20,472)
Gains (losses) on investments—net—temporarily restricted net assets	2,089	(297)
Gains (losses) on investments—net—permanently restricted net assets	695	(183)
Total	$126,843	$(17,653)

The securities on loan are included in the following classifications:

	2016	2015
Equity securities	$ 26,094	$ 89,318
Government securities	17,928	20,287
Corporate obligations	474	6,617
Total	$ 44,496	$ 116,222

SSMH recorded net investment income of $303 and $401 on these transactions for the years ended December 31, 2016 and 2015, 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

SSMH defines fair value as the price that would be received upon the sale of an asset or paid upon the 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 nonperformance risk, including SSMH'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 of significant inputs. SSMH used the following methods to determine fair value:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities that SSMH 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.

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, or data from independent sources) that are unobservable for the asset or liability.

Assets and liabilities measured at fair value on a recurring basis as listed in the following tables use the following valuation methodologies:

Cash and Cash Equivalents—Limited or Restricted—Cash equivalents that trade on a regular basis in active markets are classified as Level 1 in the fair value hierarchy. Those that do not meet this criteria are classified as Level 2.

Corporate Obligations—Corporate obligations are valued using quoted market prices and/or other market data for the same or comparable securities and transactions in establishing the prices, discounted cash flow models, and other pricing methods. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve, as well as other relevant economic measures. Due to the nature of pricing methods utilized, corporate obligations are classified as Level 2 within the fair value hierarchy.

Government Securities—Government securities are valued using quoted market prices and/or other market data for the same or comparable securities and transactions in establishing the prices, discounted cash flow models, and other pricing methods. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve, as well as other relevant economic measures. Due to the nature of pricing methods utilized, government securities are classified as Level 2 within the fair value hierarchy.

Mutual Funds—Mutual funds are valued using the net asset value based on the value of the underlying assets owned by the fund, minus liabilities, divided by the number of shares outstanding, and multiplied by the number of shares owned and are classified as Level 1 within the fair value hierarchy.

Equities—Equity securities are valued at the closing price reported on the applicable exchange on which the security is traded and are classified as Level 1 within the fair value hierarchy.

Derivative Financial Instruments—Derivative financial instruments consist of interest rate swaps and options, credit default swaps, and futures, for which fair values are estimated based on quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices. These derivatives are classified as Level 2 within the fair value hierarchy.

Guaranteed Fixed Funds—Guaranteed fixed funds are valued using quoted market prices and/or other market data for the same or comparable securities and transactions in establishing the prices, discounted cash flow models, and other pricing methods. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve, as well as other relevant economic measures. Due to the nature of pricing methods utilized, guaranteed fixed funds are classified as Level 2 within the fair value hierarchy.

Pooled Separate Accounts—Assets are represented by a "unit of account." The redemption value of those units is based on a per unit value whose value is the result of the accumulated values of underlying investments. The underlying investments are valued in accordance with the corresponding valuation method for the investments held. Pooled separate accounts are classified as Level 2 within the fair value hierarchy.

Securities Lending—The security lending collateral is invested in a Northern Trust-sponsored commingled collateral fund, which is composed primarily of short-term securities. The fair value of the commingled collateral fund is determined using the calculated net asset value per share (or its equivalent) for the fund with the underlying securities valued using techniques similar to those used for marketable securities. As security lending is measured at net asset value, it is included separately from the fair value hierarchy in the table below.

Commingled Funds—Commingled funds are valued using the net asset value based on the value of the underlying assets owned by the fund, minus liabilities, multiplied by the current percentage ownership of the fund. The underlying investments are valued in accordance with the corresponding valuation method for the investments held. As commingled funds are measured at net asset value, they are included separately from the fair value hierarchy in the table below.

Hedge Funds—Hedge funds are valued primarily using net asset values, which approximate fair value, as determined by an external fund manager based on quoted market prices, operating results, balance sheet stability, growth, and other business and market sector fundamentals. As investments in hedge funds are measured at net asset value, they are included separately from the fair value hierarchy in the table below.

Real Asset Investments—A portion of real asset investment funds are valued using net asset values, which approximate fair value, as determined by an external fund manager based on quoted market prices, operating results, balance sheet stability, growth and other business and market sector fundamentals. Other real asset investment funds are valued based on the most current financial statements issued by each fund adjusted for cash flow to and from the fund subsequent to the financial statement reporting date. The real asset investments that are not redeemable at net asset value are classified as Level 3 within the fair value hierarchy.

Private Equity Investments-Private Equity funds are valued based on the most current financial statements issued by each fund adjusted for cash flow to and from the fund subsequent to the financial statement reporting date. The underlying investments are valued in accordance with the corresponding valuation method for the investments held. The prices used to generate these valuations are unobservable and therefore are classified as Level 3 within the fair value hierarchy.

Partnership Interests—Partnership interests are valued primarily using net asset values, which approximate fair value, as determined by an external fund manager based on quoted market prices, operating results, balance sheet stability, growth, and other business and market sector fundamentals. As investments in partnership interests are measured at net asset value, they are included separately from the fair value hierarchy in the table below.

SSMH may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with generally accepted accounting principles. The following describes assets measured at fair value on a nonrecurring basis:

Goodwill—Goodwill with a carrying amount of $13,246 was written off in full due to impairment losses of the same amount, which was included in operating expenses for the year ended December 31, 2015. The fair value of goodwill is determined based on valuation methodologies as described in Note 2.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while SSMH believes that its methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

SSMH holds the majority of its financial assets in a pooled investment program, which also includes the investments of its defined benefit plans. The tables below do not reflect actual securities owned by SSMH. The values below represent SSMH's allocated non-pension share of the pooled investment program as well as investments in nonpooled assets.

The following tables summarize assets and liabilities measured at fair value on a recurring basis and nonrecurring basis by the level of significant input:

2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements:				
Assets:				
Cash and cash equivalents—restricted	$ 347,779	$ 2,919	$	$ 350,698
Corporate obligations	-	198,065	-	198,065
Government securities		409,326	-	409,326
Mutual funds:				
Domestic equities	218,096	-	-	218,096
International equities	205,286	-	-	205,286
Fixed income	103	-	-	103
Equities—domestic	530,169	-	-	530,169
Derivative financial instruments	-	4,139	-	4,139
Real asset investments	-	-	32,769	32,769
Guaranteed fixed funds	-	5,790	-	5,790
Pooled separate accounts	-	4,977	-	4,977
Private equity	-	-	6,143	6,143
Subtotal	$ 1,301,433	$ 625,216	$ 38,912	1,965,561
Investments measured at net asset value:				
Commingled funds:				
Securities lending				45,532
International equities				184,560
Fixed income				159,637
Hedge funds				235,957
Real asset investments				87,582
Total assets				$ 2,678,829
Liabilities—interest rate swaps	$ -	$ 142,544	$ -	$ 142,544
Nonrecurring fair value measurements—goodwill	$ -	$ -	$ -	$ -

2015	Level 1	Level 2	Level 3	Total
Recurring fair value measurements:				
Assets:				
Cash and cash equivalents—restricted	$ 234,883	$ 45,096	$ -	$ 279,979
Corporate obligations	-	404,945	-	404,945
Government securities	-	381,842	-	381,842
Mutual funds:				
Domestic equities	247,130	-	-	247,130
International equities	186,676	-	-	186,676
Fixed income	35,230	-	-	35,230
Equities—domestic	512,826	-	-	512,826
Derivative financial instruments	-	(75,435)	-	(75,435)
Real asset investments	-	-	39,148	39,148
Guaranteed fixed funds	-	5,251	-	5,251
Pooled separate accounts	-	4,662	-	4,662
Subtotal	$ 1,216,745	$ 766,361	$ 39,148	2,022,254
Investments measured at net asset value:				
Commingled funds:				
Securities lending				119,711
Domestic equities				3,093
International equities				307,599
Hedge funds				190,291
Partnership interests				20,517
Real asset investments				80,375
Total assets				$ 2,743,840
Liabilities—interest rate swaps	$ -	$ 144,309	$ -	$ 144,309
Nonrecurring fair value measurements—goodwill	$ -	$ -	$ -	$ -

The following table reconciles the information about the fair value of SSMH's financial instruments measured at fair value on a recurring basis presented in the table above to amounts presented in the consolidated balance sheets as of December 31, 2016 and 2015:

	2016	2015
Assets:		
Investments	$ 33,859	$ 52,900
Assets limited as to use of restricted—current portion	334,557	387,390
Assets limited as to use of restricted—excluding current portion	2,319,809	2,312,289
Less items not recorded at fair value		
Unconditional promises to give, net	(3,872)	(3,243)
Other	(5,524)	(5,496)
Total assets	$2,678,829	$2,743,840

It is SSMH'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 2016 or 2015.

Changes related to the fair values based on Level 3 inputs for the years ended December 31, 2016 and 2015, are summarized as follows:

	Real Assets		Private Equity	
	2016	2015	2016	2015
Beginning balance	$ 39,148	$ 54,227	$ -	$ -
Realized gains (losses)	6,822	7,839	(122)	-
Unrealized losses	(4,179)	(1,431)	(310)	-
Purchases	6,543	4,794	6,796	-
Sales	(15,565)	(26,281)	(221)	-
Ending balance	$ 32,769	$ 39,148	$6,143	$ -

The commingled funds, hedge funds, partnership interests, and certain real asset investments are redeemable at net asset value 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. Assets recorded at net asset value at December 31, 2016 and 2015, are as follows:

December 31, 2016	Fair Value	Redemption Frequency	Redemption Notice Period
Commingled funds [a]	$389,729	Daily, semi-monthly, monthly	0–6 days
Hedge funds [b]	235,957	Monthly, quarterly, annually	30–90 days
Real asset investments [d]	87,582	Quarterly	45–60 days
Total	$713,268		

December 31, 2015	Fair Value	Redemption Frequency	Redemption Notice Period
Commingled funds [a]	$430,403	Daily, semi-monthly, monthly	0–6 days
Hedge funds [b]	190,291	Monthly, quarterly, annually	30–90 days
Partnership interests [c]	20,517	Quarterly	45 days
Real asset investments [d]	80,375	Quarterly	45–60 days
Total	$721,586		

[a] This category includes investments in commingled funds that primarily invest in financial instruments of US and non-US entities, bonds, notes, bills, currencies, and interest rate and derivative products.

[b] This category includes investments in hedge funds that maintain positions in long-short equity, credit, and 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.

[c] 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.

[d] This category includes investments in certain 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; and 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.

SSMH had unfunded commitments to purchase real asset and private equity investments in the amount of $51,416 and $16,582 at December 31, 2016 and 2015, respectively.

8. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2016 and 2015, is as follows:

	2016	2015
Land and improvements	$ 177,197	$ 167,383
Buildings	2,618,719	2,398,983
Equipment	1,241,845	1,140,321
	4,037,761	3,706,687
Less accumulated depreciation	1,979,780	1,798,292
	2,057,981	1,908,395
Real estate held for future development	8,452	8,452
Construction in process	168,496	194,785
Total	$ 2,234,929	$ 2,111,632

Depreciation expense for the years ended December 31, 2016 and 2015, totaled $212,128 and $189,592, respectively.

The book value of equipment under capital lease obligations at December 31, 2016 and 2015, totaled $27,371 and $28,423, respectively. The related accumulated depreciation totaled $5,254 and $4,263, respectively, at December 31, 2016 and 2015. 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, 2016 and 2015:

	2016	2015
Balance—beginning of the period:		
Goodwill	$145,533	$137,488
Accumulated impairment losses	(38,303)	(25,057)
	107,230	112,431
Goodwill acquired during the year	13,961	8,045
Impairment losses	-	(13,246)
	13,961	(5,201)
Balance—end of the period:		
Goodwill	159,494	145,533
Accumulated impairment losses	(38,303)	(38,303)
Total	$121,191	$107,230

SSMH performed its annual goodwill impairment test for its reporting units and no impairments were recognized on goodwill for the year ended December 31, 2016. During the year ended December 31, 2015, it was determined that the carrying value of one reporting unit exceeded the fair value. The income and market approaches were used to determine fair value and the key assumptions used in the goodwill impairment analysis included projected results. A goodwill impairment loss of $5,201 was recognized in the year ended December 31, 2015. No impairments were recognized on the goodwill for the remaining reporting units.

During the valuation of a medical practice donated to SSMH in 2015, SSMH determined that impairment indicators existed at the acquisition date. A goodwill impairment loss of $8,045 was recognized in the year ended December 31, 2015.

The following table provides information regarding other intangible assets for the years ended December 31, 2016 and 2015:

	2016		2015	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Software	$364,262	$262,468	$326,823	$212,907
Trade name	119,742	29,136	119,742	20,640
Customer contracts	60,100	10,295	60,100	6,956
Other	8,152	6,515	7,459	5,227
Total	$552,256	$308,414	$514,124	$245,730

The weighted-average amortization period for the intangible assets subject to amortization acquired during the year ended December 31, 2016, is approximately 5.1 years. There are no expected residual values related to these intangible assets.

Amortization expenses on these intangible assets was $62,383 and $55,590 during the years ended December 31, 2016 and 2015, respectively. There are no other intangible assets that are not subject to amortization.

For the years ended December 31, 2016 and 2015, the total amounts assigned to intangible assets due to acquisitions were $15 and $10,934, respectively, related to software acquired.

The estimated future amortization of intangible assets with finite useful lives as of December 31, 2016, is as follows:

Years Ending December 31	
2017	$56,582
2018	41,531
2019	28,276
2020	17,567
2021	11,974

10. INVESTMENTS IN UNCONSOLIDATED ENTITIES

Investments in Unconsolidated Entities—SSMH included the following income from operations from equity method investments in health care joint ventures for the years ended December 31, 2016 and 2015, as operating revenues:

	2016	**2015**
Income from operations	$16,972	$19,042
Losses from operations	(156)	(206)
Net income from operations	$16,816	$18,836

The total carrying amount of cost-method investments was $6,077 and $6,358 at December 31, 2016 and 2015, respectively.

During 2013, Premier, Inc., a national health care alliance, issued an initial public offering (IPO). As a result of the IPO, Premier, Inc. acquired under a unit put/call agreement a portion of SSMH's pre-IPO partnership units for $11,133 and SSMH's remaining investment in Premier, Inc. was converted to Class B common units. In connection with the reorganization, SSMH has the right to exchange one-seventh of its Class B common units to either cash or Class A common stock in each of the subsequent seven years. As the common units become eligible for redemption, SSMH recognizes the gain associated with the redemption to Class A stock, either as a reduction of supply expense prior to the redemption to Class A stock or as unrealized gains subsequent to the redemption. During 2016, SSMH sold 494,595 shares of its Class A stock. During the year ended December 31, 2016, SSMH recognized $10,224 as a reduction in supply expense, $1,669 as realized losses and $2,244 as unrealized losses. During the year ended December 31, 2015, SSMH recognized $10,972 as a reduction in supply expense and $1,031 as unrealized gains. SSMH has recorded its remaining common units and membership interest as a cost method investment in unconsolidated entities with a carrying amount of $1,077 and $1,358 at December 31, 2016 and 2015, respectively.

11. BUSINESS ACQUISITIONS

SSMH entered into the following significant acquisition activities during the years ended December 31, 2016 and 2015.

SSM St. Clare Surgical Center, LLC—Prior to October 5, 2016, SSMH owned a 29% interest in SSM St. Clare Surgical Center, LLC (Surgical Center), accounted for under the equity method of accounting. SSMH reported its interest in the Surgical Center within investments in unconsolidated entities in the consolidated balance sheets. Effective October 5, 2016, SSMH acquired an additional 30% interest in the Surgical Center, for $1,466, becoming the majority owner of the Surgical Center. As a result of the acquisition, SSMH recorded related goodwill of $3,401 and a noncontrolling interest of $1,198 in the consolidated balance sheet. Results of operations for the business have been included in SSMH's consolidated financial statements subsequent to the date of acquisition.

In connection with the acquisition, the carrying value SSMH's 29% ownership interest in the Surgical Center was remeasured to fair value resulting in the recognition of a gain of $1,451 during the year ended December 31, 2016. Additional disclosures and pro forma results of operations for the acquisition of the Surgical Center have not been presented because they are not material to SSMH's consolidated financial statements.

Physicians Surgery Center at DePaul, LLC—Prior to April 8, 2016, SSMH owned a 33% interest in Physicians Surgery Center at DePaul, LLC (ASC), an ambulatory surgery center located in Bridgeton, Missouri. The ownership interest was accounted for under the equity method of accounting and reported within investments in unconsolidated entities in the consolidated balance sheets. On April 8, 2016, SSMH acquired the assets and certain liabilities of the ASC, for consideration of $11,148 and recorded related goodwill of $10,560. The results of ASC's operations since the acquisition are included in SSMH's consolidated statement of operations.

In connection with the acquisition, SSMH reported a gain of $3,716 on its preexisting ownership interest during the year ended December 31, 2016. Additional disclosures and pro forma results of operations for the acquisition of the ASC have not been presented because they are not material to SSMH's consolidated financial statements.

Saint Louis University Hospital—Effective September 1, 2015, SSMH and Saint Louis University (SLU) entered into an agreement whereby SLU contributed assets including inventory, property and equipment, and software intangible assets of Saint Louis University Hospital (SLU Hospital) to SSM Health Care St. Louis (SSMSL), a wholly owned subsidiary of SSMHCC, in exchange for a minority interest in SSMSL, which resulted in a noncontrolling interest of $128,700 being recorded in the consolidated balance sheet at December 31, 2015. During the year ended December 31, 2015, SSMSL received $16,200 for the acquisition of prepaids, and assumption of certain liabilities that were accounted for separately from the contributed assets. The acquired SLU Hospital assets were combined with the respective health care facilities of SSMSL and certain of its affiliates in order to operate the acquired SLU Hospital assets as an integral part of SSMSL's regional health system. As part of the agreement, SSMH has committed to spend $509,400 within 10 years of the acquisition date, including a new replacement hospital, SLU Hospital, as well a new ambulatory care center within five years after the acquisition date. SSMH renamed the facility SSM Health Saint Louis University Hospital (SSM-SLUH).

SSM-SLUH assets include a 356-bed teaching hospital located in St. Louis, Missouri, that provides primary, specialty, and tertiary/quaternary care. SSM-SLUH has approximately 16,000 in-patient visits, 128,000 out-patient visits, and 33,000 emergency department visits at the time of acquisition. The primary purpose of the acquisition is to continue SSMH's advancement of integrated care delivery and provide consistent access to higher-end specialty services in the St. Louis region.

The acquisition related costs incurred by SSMH in relation to the transaction were $874 and $2,411 for the years ended December 31, 2016 and 2015, respectively, and are recorded in professional fees and other.

Summarized balance sheet information of SSM-SLUH at September 1, 2015, is shown below:

Cash	$ 6,841
Assets whose use is limited	9,373
Current assets	13,253
Investments in unconsolidated entities	10,627
Property and equipment, net	97,488
Intangible assets	10,934
Total assets acquired	$ 148,516
Current liabilities	8,848
Long-term debt	1,595
Total liabilities assumed	$ 10,443
Temporarily restricted net assets	$ 9,373

Operating results of SSM SLU Hospital for the period September 1, 2015, through December 31, 2015, included total operating revenues of $150,008, operating losses of $1,612, and expenses over revenues of $1,697.

SSMH entered into various other agreements as part of the SLU Hospital acquisition, including an academic affiliation agreement, a joint marketing and trademark license agreement, a continued services agreement, and a member's agreement. These agreements describe details regarding how certain matters will be handled, including the affiliation of SLUCare physicians at the SLU School of Medicine with SSMSL, the abilities and restrictions on using the trademarks of both SLU and SSMH, the relationship between the entities in order to ensure continued services will be provided to properly operate SSM-SLUH, as well as defining the membership interests and how specified governance decisions will be made. The pro forma amount of SSMH's revenue, earnings, and changes in net assets had the above acquisition occurred on January 1, 2015, are as follows:

	(Unaudited)
	2015
Total operating revenues and other support	$ 5,733,712
Income from operations	249,667
Excess of revenues over expenses	226,100

12. DEBT AND CAPITAL LEASE OBLIGATIONS

Debt at December 31, 2016 and 2015, consists of the following:

	2016	2015
Under the Master Indenture:		
Fixed rate:		
Series 2014A Bonds, 4.7%, due serially through 2034 (plus unamortized premium of $17,052 and $18,642 at December 31, 2016 and 2015, respectively)	$ 253,088	$ 255,212
Series 2010A Bonds, 5.049%, due serially through 2034 (plus unamortized premium of $1,751 and $2,092 at December 31, 2016 and 2015, respectively)	109,721	110,062
Series 2010B Bonds, 4.8%, due serially through 2034 (plus unamortized premium of $909 and $1,090 at December 31, 2016 and 2015, respectively)	140,873	141,224
Series 2008A Bonds, 5.0%, due serially through 2036 (less unamortized discount of $2,101 and $2,223 at December 31, 2016 and 2015, respectively)	101,899	101,777
Series 2001 Hospital Revenue Bonds, 4.65% to 5.40%, due serially through 2016	-	1,350
Total fixed rate debt	605,581	609,625
Variable rate:		
Series 2014B-G Variable Rate Demand Bonds, 0.670% to 0.840% at December 31, 2016, due serially through 2044	300,000	300,000
Series 2014H-K Variable Rate Direct Loans, 0.907% to 1.282% at December 31, 2016, due serially through 2045	331,905	332,155
Series 2012A Variable Rate Direct Loans, 1.082% at December 31, 2016, due serially through 2045	104,690	106,730
Series 2012B Variable Rate Direct Loans, 1.082% at December 31, 2016, due serially through 2045	69,465	70,980
Series 2002B, Auction Rate Bonds, 1.085% at December 31, 2016, term bonds due between 2017 and 2020	13,250	17,250
Series 1998B, Auction Rate Bonds, 1.097% at December 31, 2016, due serially through 2019	40,250	61,450
Total variable rate debt	859,560	888,565
Taxable debt—Fixed rate direct loan, 2.2% due in annual installments through 2019	87,405	90,657
Deferred financing costs	(6,668)	(7,331)
Note payable to Felician Services, Inc.	42,935	42,064
Surplus notes,0.61% at December 31, 2016, due in 2022	6,663	6,663
Notes payable, due at various dates through 2029, interest at 4.50%, unsecured	369	385
Capital lease obligations, at varying rates from 3.25% to 10.24% collateralized by leased equipment	23,963	25,298
Total other debt	73,930	74,410
Total debt and capital lease obligations	1,619,808	1,655,926
Less capital lease obligations, excluding current portion	21,839	23,430
Less short-term borrowings	300,000	300,000
Less current portion of long-term debt and capital lease obligations	35,087	34,981
Total long-term debt	$ 1,262,882	$ 1,297,515

SSM Health Master Indenture—SSMHCC is a member of the SSM Health Credit Group (the “Credit Group”) and the only obligated group member pursuant to a master trust indenture (amended and restated) dated May 15, 1998. Effective January 1, 2016, SSM-SLUH was designated as a member of the Credit Group. SSMH corporations not included in the Credit Group include Dean Health Plan and Dean Health Insurance, Inc. (DHI) as well as a variety of entities consisting primarily of foundations, medical office building corporations, employed physician practices, and various other corporations involved in activities supporting SSMH. Certain of SSMH’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 and 1998B which total $53,500 and $78,700 at December 31, 2016 and 2015, respectively, is insured by municipal bond insurance policies. The remaining bonds are uninsured. All master indenture debt is subject to certain debt covenants, including the maintenance of certain financial ratios.

On January 4, 2016, SSMH completed the partial redemption of $1,110 of the Series 2014A, 2014K, 2012B, and 2010B bonds.

On August 18, 2015, SSMH completed the partial redemption of $22,450 of the Series 2010A and 2010B bonds by drawing $22,280 on a line of credit. As part of this transaction, SSMH purchased, in lieu of redemption, $170 of the 2010B bonds. The redeemed proceeds were subsequently refinanced as part of the October 13, 2015, taxable commercial paper registration.

Auction Rate Bonds—The debt includes $53,500 and $78,700 at December 31, 2016 and 2015, 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 SSMH's auction rate bonds is the higher of 175 percent of the after-tax equivalent rate or the 30-day Tax-exempt Municipal Commercial Paper Index, but no more than 12 percent.

Variable Rate Bonds—The debt includes $806,060 and $809,865 at December 31, 2016 and 2015, respectively, of variable rate bonds. The interest rates on these bonds are reset at daily or longer intervals. The 2015 variable rate demand bonds, totaling $300,000 at December 31, 2016 and 2015, are supported through self-liquidity. The remaining variable rate bonds were issued as funded direct placements that do not require liquidity support.

Surplus Notes—As part of a third-party service agreement, DHI has 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, 2020. 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 years ended December 31, 2016 and 2015, was 0.61 percent and 0.25 percent, respectively.

Note Payable to Felician Services, Inc. (FSI)—On July 1, 2007, SSMH entered into an installment note payable to FSI. Under the terms of the agreement, FSI may elect to convert the note to pay status on or after December 31, 2015. SSMH will begin making twenty annual payments on the note, with the first one due one year after FSI has notified SSMH of its election to convert the note to pay status. 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. As of December 31, 2016, FSI had not elected to convert the note to 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 $871 and $46 for the years ended December 31, 2016 and 2015, respectively, from the book value at July 1, 2007, which is reflected in interest expense.

Liquidity Agreement—The Series 2014 B-G Variable Rate Demand Bonds are supported through self-liquidity. These series are classified as short-term borrowings based upon these accelerated terms. The contingent payments below reflect these accelerated terms. However, SSMH's contractual payments do not reflect these accelerated terms. If any of these agreements are terminated and not replaced, extended, or renewed, SSMH can be required to purchase the tendered bonds at the specified bank rate in a specified period of time.

Contractual and Contingent Principal Repayments—Contractual and contingent principal repayments on debt and capital lease obligations of SSMH are as follows:

	Debt		Capital
	Contractual Payments	**Contingent Payments**	**Lease Obligations**
2017	$ 32,964	$ 332,964	$ 3,980
2018	29,908	29,908	2,988
2019	31,097	31,097	2,818
2020	32,221	32,221	2,811
2021	33,624	33,624	2,767
Thereafter	1,425,088	1,125,088	26,145
	1,584,902	1,584,902	41,509
Plus amount representing net premium	17,611	17,611	
Less amount representing interest under capital lease obligations			17,546
Plus capital lease principal payments	23,963	23,963	$23,963
Less deferred financing costs	(6,668)	(6,668)	
Total debt and capital lease obligations	$1,619,808	$1,619,808	

Commercial Paper—SSMH utilizes commercial paper supported by self-liquidity for general corporate purposes. On October 13, 2015, SSMH filed a registration to increase the size of its taxable commercial paper to $400,000 and issued $150,000 under the new registration. The remaining $50,000 of commercial paper capacity was issued on April 1, 2016. Annual interest rates charged during the year ended December 31, 2016, were 0.48 percent to 0.94 percent.

Revolving Line of Credit—SSMH utilizes revolving lines of credit for general corporate purposes. On April 22, 2016, SSMH entered into a $500,000 revolving line of credit agreement. This line replaced a currently existing line of credit of $150,000. The line is secured under SSMH's existing master trust indenture. As of December 31, 2016, SSMH had borrowings of $150,000 on this line. At December 31, 2015, SSMH had no outstanding borrowings on its line of credit.

Fair Value of Debt—The valuation of the estimated fair value of fixed-rate 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 that 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 quotation, 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 of debt approximated $1,675,001 and $1,712,771 at December 31, 2016 and 2015, respectively, compared to carrying amounts of $1,626,477 and $1,663,257, respectively.

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

Cash Paid for Interest—Cash paid for interest totaled $58,968 and $56,326 for the years ended December 31, 2016 and 2015, respectively. SSMH capitalized interest costs in the amounts of $3,307 and $2,165 in the years ended December 31, 2016 and 2015, respectively.

13. PENSION

SSMH administers several qualified and nonqualified pension plans for its employees. On November 3, 2015, SSMH announced plan changes effective January 1, 2016, for most of its pension plans. Under the revised plans, employees meeting certain age and length of employment eligibility requirements will continue to earn benefits in the pension plans until December 31, 2020, at which time their pension benefits will be frozen and they will move into SSMH's defined contribution (DC) formula. Employees in these plans that did not meet these eligibility criteria as of January 1, 2016 had their pension benefits frozen as of December 31, 2015, and moved to the DC formula on January 1, 2016. Effective January 1, 2021, no further benefits will be earned in the pension plans. As a result of these changes, SSMH recognized a curtailment gain of $99,554 during the year ended December 31, 2015, which is reflected as a decrease in operating expenses.

The following table summarizes the benefit obligations, the fair value of plan assets, and the funded status at December 31, 2016 and 2015:

	2016	2015
Change in projected benefit obligation:		
Projected benefit obligation—beginning of period	$2,032,907	$2,069,705
Service cost, benefits earned during the period	44,594	61,394
Interest costs on projected benefit obligation	88,136	84,535
Actuarial loss (gain)	139,281	(51,330)
Curtailments	-	(54,857)
Settlements	-	(1,308)
Benefits paid	(100,156)	(75,232)
Projected benefit obligation—end of period	2,204,762	2,032,907
Change in plan assets:		
Fair value of plan assets—beginning of period	1,340,497	1,346,642
Actual return on plan assets	73,049	(10,482)
Employer contributions	78,327	80,877
Settlements	-	(1,308)
Benefits paid	(100,156)	(75,232)
Fair value of plan assets—end of period	1,391,717	1,340,497
Net amount recognized at end of period and funded status	$ (813,045)	$ (692,410)
Accumulated benefit obligation—end of period	$2,165,881	$1,994,787

Under accounting guidelines non-qualified pension plan liabilities are included as plan liabilities, but the investments are not considered to be plan assets. Accordingly, the table above does not include investments with a fair value of $48,097 and $44,008 as of December 31, 2016 and 2015, respectively, which are included as assets limited as to use on SSMH's consolidated balance sheets.

The following is a summary of the amounts recognized in the consolidated balance sheets for the years ended December 31, 2016 and 2015:

	2016	**2015**
Amounts recognized in the consolidated balance sheets consist of:		
Accounts payable and accrued expenses	$ (3,755)	$ (5,083)
Long-term pension liability	(809,290)	(687,327)
Net amount recognized	$(813,045)	$(692,410)
Amounts recognized in unrestricted net assets consist of:		
Beginning of year balance	$ 680,304	$ 609,861
Arising during current year—net actuarial loss	178,022	67,279
Prior service credit recognized due to curtailment	-	99,554
Liability occurring due to curtailment	-	(54,857)
Reclassified into net periodic benefit cost:		
Net actuarial loss	(53,354)	(70,076)
Prior service cost	11,216	28,543
End-of-year balance	$ 816,188	$ 680,304

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 $63,045 and ($11,216), respectively.

The following is a summary of the components of net periodic pension cost for the years ended December 31, 2016 and 2015:

	2016	**2015**
Service cost, benefits earned during the period	$ 44,594	$ 61,394
Interest costs on projected benefit obligation	88,136	84,535
Expected return on plan assets	(111,789)	(108,280)
Amortization of unrecognized:		
Prior service costs	(11,216)	(28,543)
Net loss	53,354	70,076
Net periodic pension cost	63,079	79,182
Curtailment	-	(99,554)
Settlement	-	154
Total cost, recorded as Salaries and benefits	$ 63,079	$ (20,218)

The following are the actuarial assumptions used by the pension plans to develop the components of pension expense for the years ended December 31, 2016 and 2015:

	2016	**2015**
Discount rates	4.35 %	4.00 %
Rates of salary increase	3.00 %	3.50
Return on plan assets	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, 2016 and 2015:

	2016	**2015**
Discount rates	4.10 %	4.35 %
Rates of salary increase	3.00	3.00

SSMH expects to contribute a minimum of $74,836 to its pension plans in 2017.

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

	Pension Benefits
2017	$112,358
2018	120,474
2019	137,910
2020	144,118
2021	145,806
Years 2022–2026	723,242

The actual plan asset allocations and the allocation goals comprise the following investment classifications at December 31, 2016 and 2015:

	2016	**2015**	**Allocation Goals**
Cash, cash equivalents, and short-term investments	1 %	1 %	1 %
Equities	50	49	48
Fixed income	19	21	21
Real asset investments	12	12	12
Hedge funds	17	17	18
Private equity	1	0	0
	100 %	100 %	100 %

SSMH's investment objective with respect to pension plans is to produce sufficient current income and capital growth through a portfolio of equity, real asset, private equity, 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 SSMH's asset allocation policy to provide for benefits reflected in the plans' projected benefit obligation. In developing the assumptions, SSMH 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. SSMH anticipates that its investment managers will continue to generate long-term returns equal to or in excess of its assumed rates.

SSMH holds the majority of its financial assets in a pooled investment program, which also includes the investments included in investments and assets whose use is limited. The tables below do not reflect actual securities owned by the plan. The values below represent the plan's allocated proportionate share of the pooled investment program.

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

2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Cash equivalents	$ 47,766	$ 1,218	$ -	$ 48,984
Corporate obligations	-	67,247	-	67,247
Government securities	-	129,402	-	129,402
Mutual funds—international equities	154,653	-	-	154,653
Equities—domestic	390,935	-	-	390,935
Derivative financial instruments	-	1,727	-	1,727
Real asset investments	-	-	41,698	41,698
Private equity	-	-	9,383	9,383
Subtotal	$ 593,354	$ 199,594	$ 51,081	844,029
Investments measured at net asset value:				
Commingled funds:				
Securities lending				26,793
International equities				140,674
Fixed income				57,873
Hedge funds				237,692
Real asset investments				111,449
Total assets				1,418,510
Payable under security lending agreement				(26,793)
Fair value of plan assets				$ 1,391,717

2015	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ -	$ 36,776	$ -	$ 36,776
Corporate obligations	-	136,254	-	136,254
Government securities	-	107,632	-	107,632
Mutual funds:				
Domestic equities	879	-	-	879
International equities	145,142	-	-	145,142
Equities—domestic	368,789			368,789
Derivative financial instruments	-	(27,201)	-	(27,201)
Real asset investments	-	-	51,976	51,976
Subtotal	$514,810	$253,461	$51,976	820,247
Investments measured at net asset value:				
Commingled funds:				
Securities lending				83,143
Domestic equities				1,115
International equities				133,958
Fixed income				50,134
Hedge funds				228,331
Real asset investments				106,712
Total assets				1,423,640
Payable under security lending agreement				(83,143)
Fair value of plan assets				$1,340,497

It is the plan'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 2016 or 2015.

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

	Real Assets		Private Equity	
	2016	2015	2016	2015
Beginning balance	$ 51,976	$45,871	$ -	$ -
Actual return on plan assets—realized	8,681	10,418	(187)	-
Actual return on plan assets—unrealized	(5,318)	(1,902)	(474)	-
Purchases, sales, and settlements—net	(13,641)	(2,411)	10,044	-
Ending balance	$ 41,698	$51,976	$ 9,383	$ -

The commingled funds, hedge funds, and certain real asset investments are redeemable at net asset value 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. Assets recorded at net asset value at December 31 are as follows:

December 31, 2016	**Fair Value**	**Redemption Frequency**	**Redemption Notice Period**
Commingled funds [a]	$225,340	Daily, semi-monthly, monthly	0–6 days
Hedge funds [b]	237,692	Monthly, quarterly, annually	5–90 days
Real asset investments [c]	111,449	Quarterly	45–60 days
Total	$574,481		

December 31, 2015	**Fair Value**	**Redemption Frequency**	**Redemption Notice Period**
Commingled funds [a]	$268,350	Daily, semi-monthly, monthly	0–6 days
Hedge funds [b]	228,331	Monthly, quarterly, annually	5–90 days
Real asset investments [c]	106,712	Quarterly	45–60 days
Total	$603,393		

(a) This category includes investments in commingled funds that primarily invest in financial instruments of US and non-US entities, bonds, notes, bills, currencies, and interest rate and derivative products.

(b) This category includes investments in hedge funds that maintain positions in long-short equity, credit and 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.

(c) This category includes investments in certain 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; and 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.

The plan had unfunded commitments to purchase real asset and private equity investments in the amounts of $71,932 and $22,118 at December 31, 2016 and 2015, respectively.

Defined Contribution Plans—As part of the defined benefit plan changes effective January 1, 2016, SSMH contributes to a defined contribution plan for eligible employees based upon a percentage of employee compensation. The expense for this plan was $23,207 for 2016 and is included in salaries and benefits. SSMH also sponsors defined contribution plans covering employees (including DHS employees) who participate in the voluntary tax deferred annuity program and other defined contribution plans and who meet age and service requirements. SSMH's contributions to these plans are based on a percentage of employee compensation or employee contributions. The defined contribution pension expense for these plans was $29,975 and $28,515 for 2016 and 2015, respectively, and is included in salaries and benefits.

14. SELF-INSURANCE

Professional and General Liability Insurance—A majority of the members of SSMH participate in the SSMH Liability Trust I or SSMH Liability Trust II (the "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.

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

	January 1, 2015 to December 31, 2016
Per occurrence limits—Missouri, Oklahoma, and Illinois	$5,000
Annual aggregate	None

SSMH's hospitals and physicians located in Wisconsin are qualified health care 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 a $3,000 annual aggregate applied to each qualified provider. Losses in excess of these amounts are fully covered through mandatory participation in the PCF. SSMH is commercially insured up to these limits for these hospitals and physicians. For any Wisconsin operation not qualified to participate in the PCF, separate commercial limits of liability are purchased; limits and coverages are evaluated annually.

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

	December 31, 2016
Per occurrence limits—Missouri, Oklahoma, Wisconsin, and Illinois	$3,000
Annual aggregate	None

SSMH maintains reinsurance through a wholly owned captive for professional and general liability claims exceeding the underlying self-insured retention. As of December 31, 2016, 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 percent at December 31, 2016 and 2015. 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 $100,044 and $97,400 at December 31, 2016 and 2015, respectively, of which $23,074 and $23,119 is recorded in accounts payable, accrued expenses, and other current liabilities at December 31, 2016 and 2015, 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 for amounts in excess of the deductibles. DHS recognized a liability of $11,256 and $10,389 at December 31, 2016 and 2015, respectively, of which $1,700 and $1,831 is recorded in accounts payable, accrued expenses, and other current liabilities at December 31, 2016 and 2015, respectively.

Workers' Compensation—A majority of the members of SSMH participate in SSMH'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 percent at December 31, 2016 and 2015. DHS maintains a fully insured workers' compensation program through commercial insurance.

Employee Health Insurance—A majority of the members of SSMH 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 SSMH entities of $105,384 and

$97,314 for the years ended December 31, 2016 and 2015, respectively. SSM of Wisconsin members are fully insured under Dean Health Plan.

15. ASSET RETIREMENT OBLIGATIONS

SSMH 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, 2016 and 2015:

	2016	2015
Balance—beginning of the period	$8,344	$ 9,170
Retirements	(450)	(1,259)
Accretion expense	303	433
Balance—end of the period	$8,197	$ 8,344

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, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$7,060	$28,254	$35,314
Board-designated endowment funds	8,622	-	-	8,622
Total funds	$8,622	$7,060	$28,254	$43,936

Endowment Net Asset Composition by Type of Fund as of December 31, 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$6,444	$25,737	$32,181
Board-designated endowment funds	8,334	-	-	8,334
Total funds	$8,334	$6,444	$25,737	$40,515

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2016	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets—beginning of year	$8,334	$6,444	$25,737	$40,515
Investment return:				
Investment income	423	849	35	1,307
Net appreciation (realized and unrealized)	47	316	660	1,023
Total investment return	470	1,165	695	2,330
Contributions	124	2	1,822	1,948
Appropriation of endowment assets for expenditure	(306)	(551)	-	(857)
Endowment net assets—end of year	$8,622	$7,060	$28,254	$43,936

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2015	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets—beginning of year	$8,241	$7,615	$25,504	$41,360
Investment return:				
Investment income (losses)	235	(120)	16	131
Net depreciation (realized and unrealized)	(99)	(66)	(199)	(364)
Total investment return	136	(186)	(183)	(233)
Contributions	82	-	427	509
Appropriation of endowment assets for expenditure	(125)	(985)	-	(1,110)
Other changes—transfers out	-	-	(11)	(11)
Endowment net assets—end of year	$8,334	$6,444	$25,737	$40,515

Transfers out include a reclassification of permanently restricted endowments 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 SSMH 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, 2016 and 2015.

Return Objectives and Risk Parameters—SSMH 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 SSMH 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. SSMH 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, SSMH relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and interest and dividend income. SSMH 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—SSMH 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. DERIVATIVE INSTRUMENTS

SSMH utilizes various interest rate swap contracts to manage the risk of increased interest rates payable of certain variable-rate bonds. None of these swaps has been designated as hedges of the interest payments on outstanding debt obligations for accounting purposes. At December 31, 2016 and 2015, SSMH was a party to fixed-payer interest rate swap agreements, which convert SSMH's variable-rate debt to fixed-rate debt. Additionally, at December 31, 2016 and 2015, SSMH was a party to fixed-spread-basis interest rate swap agreements, in which SSMH pays a fixed rate and receives a percentage of LIBOR plus a spread.

Certain swap agreements require SSMH to provide collateral if SSMH's liability, determined on a mark-to-market basis, exceeds a specified threshold. At December 31, 2016 and 2015, no collateral was required to be provided related to this liability.

As part of its pooled investment program, SSMH holds investments in interest rate swaps and options, credit default swaps and currency futures. This economic hedging is based on investment portfolio exposure to long-only equities, foreign exchange and fixed income. No leverage is utilized for this hedging activity.

The following table shows the outstanding notional amount of derivative instruments measured at fair value as reported in other liabilities and assets whose use is limited in the consolidated balance sheets as of December 31, 2016 and 2015:

December 31, 2016	**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	2034–2044	2.81%–5.22%	$ 837,100	$(142,544)
Derivatives not designated as hedges—derivative financial instruments	Assets limited as to use or restricted	2017-2058	0%–3.585%	782,775	4,139
Total				$1,619,875	$(138,405)

December 31, 2015	**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	2033–2044	2.82%–5.21%	$ 842,200	$(144,309)
Derivatives not designated as hedges—interest rate futures	Assets limited as to use or restricted	2016–2017	0%–6%	552,500	(101,801)
Total				$1,394,700	$(246,110)

Fair value is based on significant other observable inputs (Level 2) at December 31, 2016 and 2015. The gains and losses related to derivative instruments have been included in the disclosures reported in Note 6.

SSMH's credit derivative instruments are under a master agreement that provides the ability to close out and net the total exposure to a counterparty in the event of a default or other termination events. Counterparty risk is managed by requiring high credit standards for SSMH's counterparties as well as collateral posting requirements. As of December 31, 2016 and 2015, SSMH posted $5,520 and $1,184, respectively, of collateral for the credit derivative instruments allocated to SSMH from the pooled investment program. SSMH'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, 2016 and 2015, there was no collateral posted for the interest rate swaps.

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

Offsetting of Financial and Derivative Assets

Description	Gross Amounts of Recognized Assets	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, 2016— derivative financial instruments	$193,880	$(189,741)	$ 4,139	$ -	$ 4,139
As of December 31, 2015— derivative financial instruments	$186,356	$(186,356)	$ -	$ -	$ -

Offsetting of Financial and Derivative Liabilities

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, 2016:					
Derivative financial instruments	$189,741	$(189,741)	$ -	$ -	$ -
Derivatives—interest rate swaps	142,544	-	-	-	142,544
As of December 31, 2015:					
Derivative financial instruments	$261,791	$(186,356)	$ 75,435	$ -	$ 75,435
Derivatives—interest rate swaps	144,309	-	144,309	-	144,309

18. INCOME TAXES

The components of income tax expense for the years ended December 31, 2016 and 2015, are as follows:

	2016	2015
Current tax expense:		
Federal	$ 923	$1,772
State	195	593
Current tax expense	1,118	2,365
Income tax expense	$1,118	$2,365

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 noncurrent 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:

	2016	**2015**
Assets:		
Net operating loss and credit carryforwards	$ 372,270	$ 310,092
Accrued employee compensation	12,235	16,131
Other nondeductible liabilities	13,772	19,019
Doubtful accounts	2,771	2,523
Other	6,744	6,768
Assets	407,792	354,533
Liabilities:		
Depreciable and amortizable assets	(77,781)	(82,941)
Investment in subsidiaries	(12,650)	(16,984)
Other	(6,165)	(6,724)
Liabilities	(96,596)	(106,649)
Valuation allowance	(311,196)	(247,884)
Net deferred income tax assets	$ -	$ -

As of December 31, 2016 and 2015, the deferred income tax benefits were recorded net of a valuation allowance of $311,196 and $247,884 primarily due to net operating loss carryforwards available related to its for-profit subsidiaries, which expire between 2017 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, 2016, SSMH increased the valuation allowance by an additional $63,312 based on 2016 net losses. During the year ended December 31, 2015, SSMH increased the valuation allowance by an additional $1,548 based on 2015 net losses.

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate of 34 percent to net income before taxes. The significant items causing this difference are the net income of tax exempt subsidiaries, changes in valuation allowances on deferred tax assets, and nondeductible compensation.

SSMH files income tax returns in the US federal jurisdiction and in various state jurisdictions. SSMH is no longer subject to US or state income tax examinations by tax authorities for the years before 2012.

Cash Paid for Income Taxes—Cash paid for income taxes totaled $1,599 and $2,165 for the years ended December 31, 2016 and 2015, respectively.

19. NET ASSETS

SSMH 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	SSMH Unrestricted Net Assets	Noncontrolling Interest
Unrestricted net assets—January 1, 2015	$1,782,244	$1,760,937	$ 21,307
Excess of revenues over expenses	206,165	198,140	8,025
Pension-related changes	(70,443)	(70,443)	-
Distributions to noncontrolling owners	(4,412)	-	(4,412)
Net assets released from restrictions	16,250	16,250	-
Noncontrolling interest related to acquisition	128,700	-	128,700
Other—net	(1,129)	(1,129)	-
Change in unrestricted net assets	275,131	142,818	132,313
Unrestricted net assets—December 31, 2015	2,057,375	1,903,755	153,620
Excess of revenues over expenses	99,366	93,525	5,841
Pension-related changes	(135,884)	(135,884)	-
Distributions to noncontrolling owners	(5,602)	-	(5,602)
Net assets released from restrictions	11,177	11,177	-
Noncontrolling interest related to acquisition	1,198	-	1,198
Other—net	1,214	1,214	-
Change in unrestricted net assets	(28,531)	(29,968)	1,437
Unrestricted net assets—December 31, 2016	$2,028,844	$1,873,787	$155,057

20. FUNCTIONAL EXPENSES

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

	2016	2015
Health care services	$ 5,748,147	$ 4,916,682
General and administrative	341,957	301,659
Fundraising	9,055	11,231
Total expenses	$ 6,099,159	$ 5,229,572

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, 2016, that have initial or remaining lease terms in excess of one year:

2017	$ 70,008
2018	61,690
2019	48,900
2020	39,929
2021	33,290
Thereafter	55,888
Total minimum lease payments	$309,705

Total rental and lease expense was approximately $78,669 and $71,891 in 2016 and 2015, respectively.

SSMH has outstanding letters of credit of $3,315 and $7,164 at December 31, 2016 and 2015, respectively. There were no outstanding draws on these letters of credit.

As of December 31, 2016, SSMH has entered into construction projects for new facilities and capital improvements to existing facilities. As of December 31, 2016, SSMH has unmet commitments of approximately $47,375, which will be financed with board-designated assets, project funds, or cash generated from operations. As part of acquisition agreements in Wisconsin and Missouri, SSMH has committed an additional $589,373 for facility improvements to be paid out from 2014 to 2020. Of this amount $38,993 has been spent as of December 31, 2016.

SSMH has entered into certain other income guarantees with outside entities to be paid out from 2016 through 2019, which totaled $91,817 at December 31, 2016.

SSMH 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 SSMH's consolidated financial position or consolidated results of operations.

22. SUBSEQUENT EVENTS

For the year ended December 31, 2016, SSMH has evaluated subsequent events for potential recognition and disclosure through March 29, 2017, the date the financial statements were issued. During this period, there were the following subsequent events that required recognition or disclosure in the accompanying consolidated financial statements.

Debt and Capital Lease Obligations

SSMH repaid the outstanding line of credit borrowings through transactions of $125,000 and $25,000 on January 30, 2017 and February 28, 2017, respectively.

On February 23, 2017, SSMH completed a full defeasance of the $104,000 in outstanding Series 2008A bonds through an advanced refunding transaction. SSMH utilized its general revolving line of credit and drew $110,462 to fund the escrow account and pay costs of issuance.

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SSM HEALTH ADDITIONAL INFORMATION

SSM HEALTH

CONSOLIDATING SCHEDULE—BALANCE SHEET INFORMATION
AS OF DECEMBER 31, 2016
(In thousands)

	Credit Group	Other Entities	Eliminations	Total
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 101,752	$ 65,796	$ -	$ 167,548
Investments	12,621	21,238	-	33,859
Current portion of assets limited as to use	223,755	110,802	-	334,557
Patient accounts receivable—less allowance for uncollectible accounts	648,809	22,491	-	671,300
Premium receivable—less allowance for uncollectible accounts		8,018	-	8,018
Other receivables	298,941	19,330	(19,688)	298,583
Inventories, prepaid expenses, and other	139,859	4,334	(1,101)	143,092
Estimated third-party payor settlements	22,345	15,904	-	38,249
Total current assets	1,448,082	267,913	(20,789)	1,695,206
ASSETS LIMITED AS TO USE OR RESTRICTED—Excluding current portion	2,092,275	227,534	-	2,319,809
PROPERTY AND EQUIPMENT—Net	2,168,554	66,375	-	2,234,929
OTHER ASSETS:				
Goodwill	96,867	24,324	-	121,191
Intangible assets—net	199,620	44,222	-	243,842
Investments in unconsolidated entities	251,802	3,466	(158,726)	96,542
Other	11,691	298	-	11,989
Total other assets	559,980	72,310	(158,726)	473,564
TOTAL	$ 6,268,891	$ 634,132	$ (179,515)	$ 6,723,508
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Revolving line of credit	$ 150,000	$ 125	$ -	$ 150,125
Current portion of long-term debt and capital lease obligations	34,906	181	-	35,087
Accounts payable, accrued expenses, and other current liabilities	845,074	196,112	(20,775)	1,020,411
Commercial paper	399,870	-	-	399,870
Short-term borrowings	300,000	-	-	300,000
Unearned premiums	-	23,883	-	23,883
Payable under securities lending agreements	45,192	340	-	45,532
Estimated third-party payor settlements	132,412	25,746	-	158,158
Total current liabilities	1,907,454	246,387	(20,775)	2,133,066
LONG-TERM DEBT—Excluding current portion	1,255,891	6,991	-	1,262,882
ESTIMATED SELF-INSURANCE OBLIGATIONS	82,958	14,508	-	97,466
CAPITAL LEASE OBLIGATIONS—Excluding current portion	15,730	6,109	-	21,839
PENSION LIABILITY	809,290	-	-	809,290
OTHER LIABILITIES	265,723	27,390	-	293,113
Total liabilities	4,337,046	301,385	(20,775)	4,617,656
NET ASSETS:				
Unrestricted:				
Noncontrolling interest in subsidiaries	151,418	3,639	-	155,057
SSMH unrestricted net assets	1,709,547	261,997	(97,757)	1,873,787
Total unrestricted net assets	1,860,965	265,636	(97,757)	2,028,844
Temporarily restricted	42,626	48,068	(41,940)	48,754
Permanently restricted	28,254	19,043	(19,043)	28,254
Total net assets	1,931,845	332,747	(158,740)	2,105,852
TOTAL	$ 6,268,891	$ 634,132	$ (179,515)	$ 6,723,508

See notes to consolidating information.

SSM HEALTH

CONSOLIDATING SCHEDULE—BALANCE SHEET INFORMATION
AS OF DECEMBER 31, 2015
(In thousands)

	Credit Group	Other Entities	Eliminations	Total
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 71,375	$ 15,436	$ -	$ 86,811
Investments	52,160	740	-	52,900
Current portion of assets limited as to use	206,986	180,404	-	387,390
Patient accounts receivable—less allowance for uncollectible accounts	499,362	102,949	(26,710)	575,601
Premium receivable—less allowance for uncollectible accounts	16	6,285	-	6,301
Other receivables	280,251	25,575	(43,643)	262,183
Inventories, prepaid expenses, and other	103,593	27,965	(1,327)	130,231
Estimated third-party payor settlements	8,177	14,260	1,419	23,856
Total current assets	1,221,920	373,614	(70,261)	1,525,273
ASSETS LIMITED AS TO USE OR RESTRICTED—Excluding current portion	2,086,340	225,949	-	2,312,289
PROPERTY AND EQUIPMENT—Net	1,941,891	169,741	-	2,111,632
OTHER ASSETS:				
Goodwill	87,148	20,082	-	107,230
Intangible assets—net	215,416	52,978	-	268,394
Investments in unconsolidated entities	220,571	15,058	(145,932)	89,697
Other	31,521	296	(20,404)	11,413
Total other assets	554,656	88,414	(166,336)	476,734
TOTAL	5,804,807	857,718	(236,597)	6,425,928
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Revolving line of credit	$ -	$ 152	$ -	$ 152
Current portion of long-term debt and capital lease obligations	33,788	1,638	(445)	34,981
Accounts payable, accrued expenses, and other current liabilities	708,099	293,218	(69,797)	931,520
Commercial paper	349,937	-	-	349,937
Short-term borrowings	300,000	-	-	300,000
Unearned premiums	-	29,573	-	29,573
Payable under securities lending agreements	118,810	901	-	119,711
Estimated third-party payor settlements	128,600	30	-	128,630
Total current liabilities	1,639,234	325,512	(70,242)	1,894,504
LONG-TERM DEBT—Excluding current portion	1,290,482	27,437	(20,404)	1,297,515
ESTIMATED SELF-INSURANCE OBLIGATIONS	85,398	11,873	-	97,271
CAPITAL LEASE OBLIGATIONS—Excluding current portion	15,884	7,546	-	23,430
PENSION LIABILITY	687,327	-	-	687,327
OTHER LIABILITIES	258,824	30,278	-	289,102
Total liabilities	3,977,149	402,646	(90,646)	4,289,149
NET ASSETS:				
Unrestricted:				
Noncontrolling interest in subsidiaries	19,888	133,732	-	153,620
SSMH unrestricted net assets	1,743,792	250,938	(90,975)	1,903,755
Total unrestricted net assets	1,763,680	384,670	(90,975)	2,057,375
Temporarily restricted	38,241	53,234	(37,808)	53,667
Permanently restricted	25,737	17,168	(17,168)	25,737
Total net assets	1,827,658	455,072	(145,951)	2,136,779
TOTAL	$ 5,804,807	$ 857,718	$ (236,597)	$ 6,425,928

See notes to consolidating information.

SSM HEALTH

CONSOLIDATING SCHEDULE—STATEMENT OF OPERATIONS INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016
(In thousands)

	Credit Group	Other Entities	Eliminations	Total
OPERATING REVENUES AND OTHER SUPPORT:				
Net patient service revenues before provision for uncollectible accounts	$ 4,766,114	$ 203,464	$ (462,626)	$ 4,506,952
Less provision for uncollectible accounts	(277,176)	(9,534)	-	(286,710)
Net patient service revenues	4,488,938	193,930	(462,626)	4,220,242
Premiums earned	92,277	1,284,782	(68,192)	1,308,867
Investment income	17,082	19,485	-	36,567
Income from unconsolidated entities, net	16,076	740	-	16,816
Other revenue	551,668	282,575	(314,599)	519,644
Net assets released from restrictions	168	6,867	-	7,035
Total operating revenues and other support	5,166,209	1,788,379	(845,417)	6,109,171
OPERATING EXPENSES:				
Salaries and benefits	2,483,100	488,496	(248,934)	2,722,662
Medical claims	-	1,074,117	(509,569)	564,548
Supplies	1,134,326	22,862	-	1,157,188
Professional fees and other	1,163,742	240,965	(79,542)	1,325,165
Interest	56,140	1,406	(758)	56,788
Depreciation and amortization	252,794	20,014	-	272,808
Total operating expenses	5,090,102	1,847,860	(838,803)	6,099,159
INCOME (LOSS) FROM OPERATIONS	76,107	(59,481)	(6,614)	10,012
NONOPERATING GAINS (LOSSES):				
Investment income	87,570	(78)	-	87,492
Other—net	1,190	24	-	1,214
Total nonoperating gains (losses)—net	88,760	(54)	-	88,706
EXCESS OF REVENUES OVER EXPENSES BEFORE CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS AND INCOME TAXES	164,867	(59,535)	(6,614)	98,718
CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS	1,766	-	-	1,766
EXCESS OF REVENUES OVER EXPENSES BEFORE INCOME TAXES	166,633	(59,535)	(6,614)	100,484
INCOME TAX (BENEFIT) EXPENSE	(17,372)	18,490	-	1,118
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	184,005	(78,025)	(6,614)	99,366
EXCESS OF REVENUES OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	5,610	231	-	5,841
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES—Net of noncontrolling interest	$ 178,395	$ (78,256)	$ (6,614)	$ 93,525

See notes to consolidating information.

SSM HEALTH

CONSOLIDATING SCHEDULE—STATEMENT OF OPERATIONS INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015
(In thousands)

	Credit Group	Other Entities	Eliminations	Total
OPERATING REVENUES AND OTHER SUPPORT:				
Net patient service revenues before provision for uncollectible accounts	$ 4,129,633	$ 361,975	$ (480,066)	$ 4,011,542
Less provision for uncollectible accounts	(179,164)	(30,311)	-	(209,475)
Net patient service revenues	3,950,469	331,664	(480,066)	3,802,067
Premiums earned	98,780	1,231,583	(72,137)	1,258,226
Investment income	2,342	957	-	3,299
Income from unconsolidated entities, net	14,605	4,231	-	18,836
Other revenue	388,883	250,736	(268,482)	371,137
Net assets released from restrictions	168	5,570	-	5,738
Total operating revenues and other support	4,455,247	1,824,741	(820,685)	5,459,303
OPERATING EXPENSES:				
Salaries and benefits	2,190,332	479,309	(235,444)	2,434,197
Curtailment gain on pension plans	(99,554)	-	-	(99,554)
Medical claims	-	1,044,693	(515,821)	528,872
Supplies	868,946	49,479	-	918,425
Professional fees and other	922,796	287,273	(75,576)	1,134,493
Interest	53,754	1,967	(820)	54,901
Depreciation and amortization	222,026	22,966	-	244,992
Impairment loss	13,246	-	-	13,246
Total operating expenses	4,171,546	1,885,687	(827,661)	5,229,572
INCOME (LOSS) FROM OPERATIONS	283,701	(60,946)	6,976	229,731
NONOPERATING GAINS (LOSSES):				
Investment loss	(20,472)	-	-	(20,472)
Other—net	677	(4)	-	673
Total nonoperating gains (losses)—net	(19,795)	(4)	-	(19,799)
EXCESS OF REVENUES OVER EXPENSES BEFORE CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS AND INCOME TAXES	263,906	(60,950)	6,976	209,932
CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS	(1,402)	-	-	(1,402)
EXCESS OF REVENUES OVER EXPENSES BEFORE INCOME TAXES	262,504	(60,950)	6,976	208,530
INCOME TAX (BENEFIT) EXPENSE	(15,208)	17,573	-	2,365
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	277,712	(78,523)	6,976	206,165
EXCESS OF REVENUES OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	4,926	3,099	-	8,025
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES—Net of noncontrolling interest	$ 272,786	$ (81,622)	$ 6,976	$ 198,140

See notes to consolidating information.

1. PRINCIPLES OF INCLUSION

The Credit Group is made up of SSMHCC 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. As of April 1, 2014, the list of Credit Group members was amended to include most DHS entities, excluding DHP and DHI. The Credit Group does not include SSMH's physician group practices, charitable foundations, SSM-SLUH, and the interests of SSMH in various other minor subsidiaries and ancillary joint ventures that are referred to herein as "Other Entities". In 2016 and 2015, the assets of the Credit Group represented 91 percent and 87 percent of the consolidated total, and the total operating revenues represented 74 percent and 71 percent of the consolidated total, respectively. As of January 1, 2016, SSM-SLUH became part of the Credit Group.

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 $68,036 and $54,073 at December 31, 2016 and 2015, respectively. The Credit Group may be required to provide operating capital to these entities to ensure their solvency.

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