



Internally-Prepared, Unaudited
Consolidated and Facility
Financial Statements and Analysis

For December, 2013 YTD

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Consolidated Ratios

	Current YTD		Prior YTD
	12/31/2013 Actual	12/31/2013 Adj HAF (B)	12/31/2012 Actual
Operating EBITDA %	8.2%	9.3%	10.7%
Operating Margin	1.5%	2.6%	3.0%
Excess Margin	8.7%	9.7%	8.1%
Equity Growth Rate (Annualized)	28.0%	29.4%	-22.8%
Return on Assets (Annualized)	5.7%	6.4%	5.3%
Return on Fixed Assets (Annualized)	15.4%	17.4%	14.2%
Revenue Deduction %	67.0%	66.3%	64.3%
Compensation Ratio	55.1%	54.2%	53.2%
Days Cash on Hand	288.1	286.4	268.4
Cash to Debt	171.5%	171.5%	153.4%
Debt to Capitalization (Annualized)	31.1%	30.9%	37.1%
Debt to Cash Flow (Annualized)	2.9	2.7	2.9
Cushion Ratio ****	32.8	32.8	30.5
(A) Max Debt Service Coverage (Annualized)	3.8	4.2	5.1

Moody's Aa +	2012 Audit	2011 Audit	2010 + Audit	2009 + Audit	2008 + Audit
10.6%	10.7%	11.6%	12.2%	11.9%	12.0%
3.7%	3.0%	4.9%	5.3%	5.1%	4.6%
7.7%	8.1%	3.3%	10.5%	13.6%	-20.4%
N/A	-22.8%	-22.8%	-22.8%	-22.8%	-22.8%
5.8%	5.3%	1.5%	6.7%	9.5%	-11.6%
N/A	14.2%	3.9%	18.4%	25.3%	-28.3%
N/A	64.3%	64.8%	63.1%	61.8%	60.7%
N/A	53.2%	54.0%	50.6%	49.3%	48.6%
264.5	268.4	289.9	311.9	266.5	212.3
188.6%	153.4%	148.1%	152.8%	124.5%	119.0%
30.7%	37.1%	38.1%	38.4%	41.0%	41.0%
2.6	2.9	5.6	3.0	2.5	(4.1)
23.4****	30.5	33.0	31.3	34.6	21.8
6.2	5.1	5.3	5.5	4.1	2.8

(A) Calculated in accordance with the Master Indentures to exclude unrealized gains or losses on investments and derivatives, gains or losses on the early extinguishment of indebtedness, and gains or losses on the sale, exchange or disposal of capital assets.

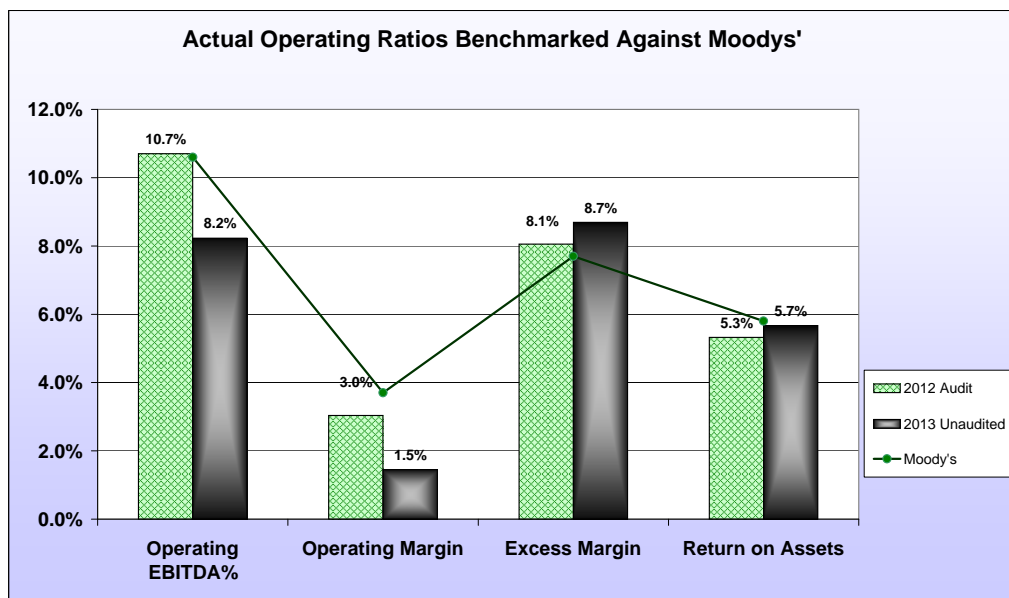
(B) Adjusted to include six months of Hospital Assessment Fee (HAF) program that was not received as of 12.31.13.

· Prior to 2011 Audit, Provision for Bad Debts was classified as an operating expense (versus a reduction of Net Patient Service Revenue).

* Moody's ratings taken from Moody's Investors Service, August 2013 report (2012 audited numbers).

**** Benchmark for Cushion Ratio is from Fitch Ratings, August 2013 report (2012 audited numbers)

2013 YTD Meaningful Use Dollars recorded in income as follows (in thousands):		
	12.31.13 YTD	Total 2012 Actual
FSFH	5,044	5,851
FSEH-L	4,872	734
FSEH-C	2,195	378
FSMH	2,543	3,633
FSAH-MC	254	2,562
FSAH-CP	306	2,521
FHM	1,577	2,192
SSCR	5,201	1,944
	21,992	19,815



2013 YTD HAF Program recorded in income as follows (in thousands):				
	12.31.13 YTD Revenues	12.31.13 YTD Expenses	12.31.13 YTD Net HAF	2012 Net HAF Actual
FSFH	17,714	8,695	9,019	26,257
FSEH-L	8,368	7,333	1,035	9,152
FSEH-C	1,355	1,305	50	964
FSMH	30,471	4,685	25,786	29,386
FSAH-MC	5,882	4,193	1,689	9,058
FSAH-CP	4,125	6,848	(2,723)	(3,610)
FHM	180	401	(221)	(377)
	68,095	33,460	34,635	70,830



Management's Discussion of Financial Performance

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of Franciscan Alliance, Inc. (collectively referred to as the "Corporation") to make assumptions, estimates and judgments that affect the amounts reported in the financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. The Corporation considers critical accounting policies to be those that require significant judgment and estimates in the preparation of its financial statements, including the following: recognition of net patient service revenue (which includes contractual allowances and provisions for doubtful accounts), reserve for losses and expenses related to health care professional and general liability risks, and risks and assumptions for measurement of pension liabilities. The Corporation's management relies on historical experience and on other assumptions believed to be reasonable under the circumstances in making its judgment and estimates. Actual results could differ from those estimates.

Historical Performance: Twelve Month Period Ending December 31, 2013

Consolidated Statements of Operations and Changes in Net Assets

Indiana Hospital Assessment Fee (HAF) Program – The Centers for Medicare and Medicaid Services (CMS) approved the State plan amendment necessary to implement a hospital assessment fee program in accordance with Public Law 229-2011, section 281 as enacted by the 2011 Session of the Indiana General Assembly. The changes were effective July 1, 2011 through June 30, 2013. Under the program, the Indiana Office of Medicaid Policy and Planning (OMPP) collected an assessment fee from eligible hospitals. The fee was used in part to increase reimbursement to eligible hospitals for services provided in both Medicaid fee-for-service and Medicaid managed care programs, and as the State share of disproportionate share hospital (DSH) payments. Starting in June of 2012, payments received from this program were recorded as a reduction in contractual allowances (within revenues) and the corresponding assessment for this program was recorded as other expenses within total operating expenses. The net amount received for calendar year 2013 through the original plan end date of June 30, 2013, was \$23.2 million (reduction in contractual allowances of \$49.8 million, offset by assessment of \$26.6 million recorded to other expenses). The State submitted a new plan amendment to CMS to extend the HAF program from July 1, 2013 through June 30, 2017. The amendment is currently being reviewed by CMS. Once approved, the effective date of the program will be retroactive to July 1, 2013.

Operating Results. For the twelve month period ending December 31, 2013 and 2012, the Corporation's operating income was \$37.9 million and \$79.8 million, and its operating margin was 1.5% and 3.0%, respectively. The results of operations continue to be influenced by economic and industry-wide challenges including constrained volume growth, and cost pressures, including increases in defined benefit pension plan costs. These factors have affected our revenue growth and operating expenses. In addition, the December 2012 operating income included eighteen months of the HAF program based on the retroactive approval, whereas the December



2013 operating income includes 6 months of the HAF program. The net benefit related to the HAF program was \$58.2 million through December 31, 2012 versus \$23.2 million through December 31, 2013. Since the original HAF program expired June 30, 2013, no net benefit has been recognized from July 1, 2013 through December 31, 2013. The estimated net benefit for those six months is approximately \$21.1 million.

For the twelve months ended December 31, 2013 and 2012, the Corporation's net patient service revenue was \$2.32 billion and \$2.36 billion, respectively. The net patient service revenue decline was driven by decreased inpatient utilization as inpatient admissions of 82,076 were 8.8% below previous year volumes.

For the twelve months ended December 31, 2013 and 2012 the Corporation had total revenue of \$2.61 billion and \$2.63, respectively.

Total operating expenses increased 0.9% for the twelve month period ending December 31, 2013 to \$2.57 billion as compared to operating expenses for the same period in 2012. Salaries, associated benefits, and physician fees increased \$48.0 million or 3.6%, primarily due to wage rate increases, increased employment of physicians at the Corporation's Health Center Facilities, increased employment for expanded quality initiative, increased staffing for new EMR implementation, increased staffing for implementation of ICD-10 coding initiative and increased pension cost. For the twelve month period ending December 31, 2013 and 2012, interest expense is \$36.8 million and \$35.1 million, respectively, as prior year capitalized interest has been virtually eliminated (due to finalization of major construction projects).

Non-Operating Revenue. For the twelve month period ending December 31, 2013, Non-Operating Revenue was a gain of \$206.8 million versus a gain of \$143.4 million for the same period in 2012. The increase primarily relates to an unrealized gain on interest rate swap contracts of \$29.5 million versus an unrealized loss of \$10.7 million for the same period in 2012. Non-Operating Revenue was also positively impacted by investment income of \$67.2 million (a decrease of \$14.9 million versus same period in 2012) and unrealized gain on investments of \$117.2 million (an increase of \$40.9 million versus same period in 2012).

Excess Revenue over Expenses. Excess of revenue over expenses of \$244.7 million for the twelve month period ending December 31, 2013, decreased by \$8.4 million as compared to December 31, 2012, due to the changes in Operating Income and Other Income (as explained above).

Consolidated Balance Sheet

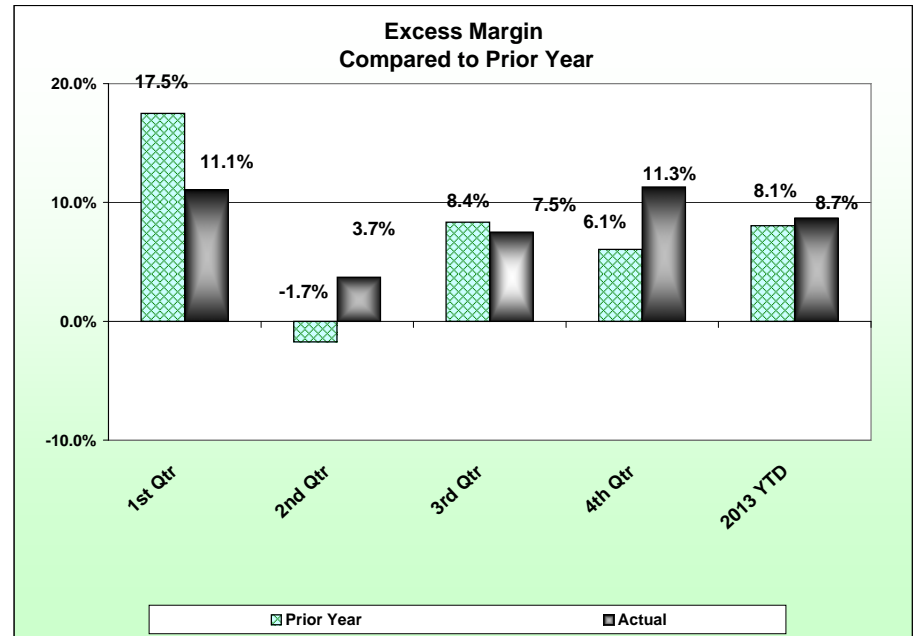
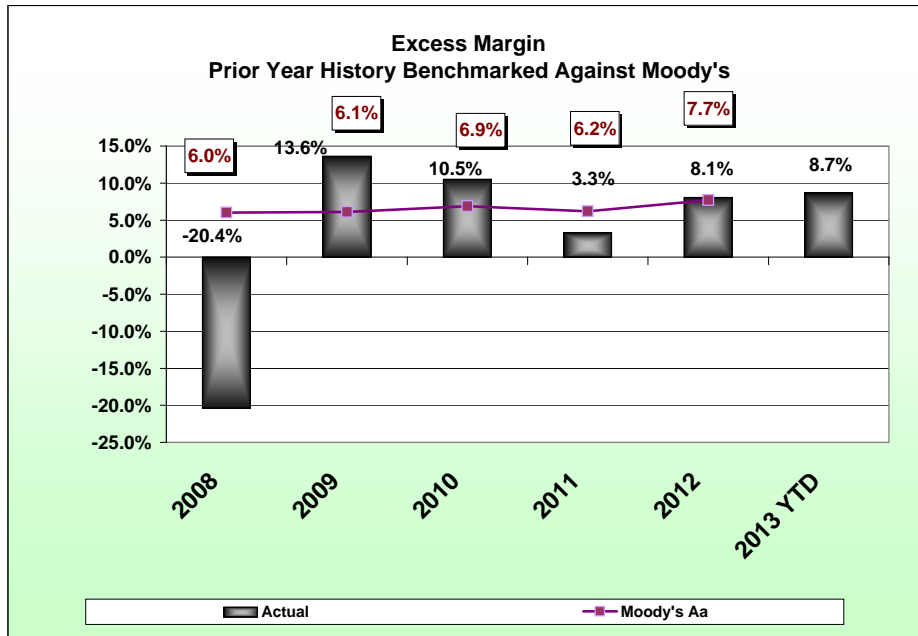
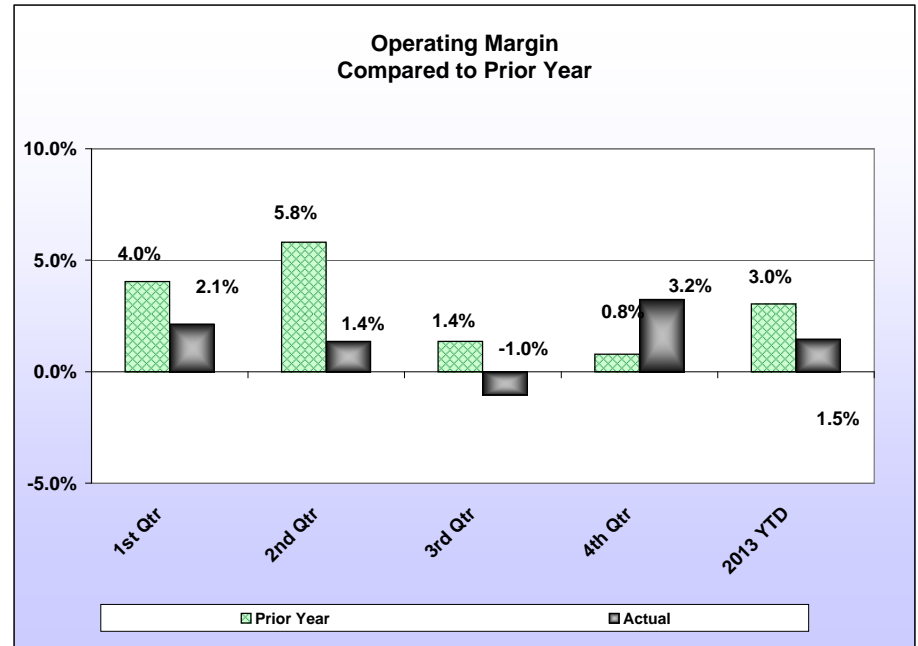
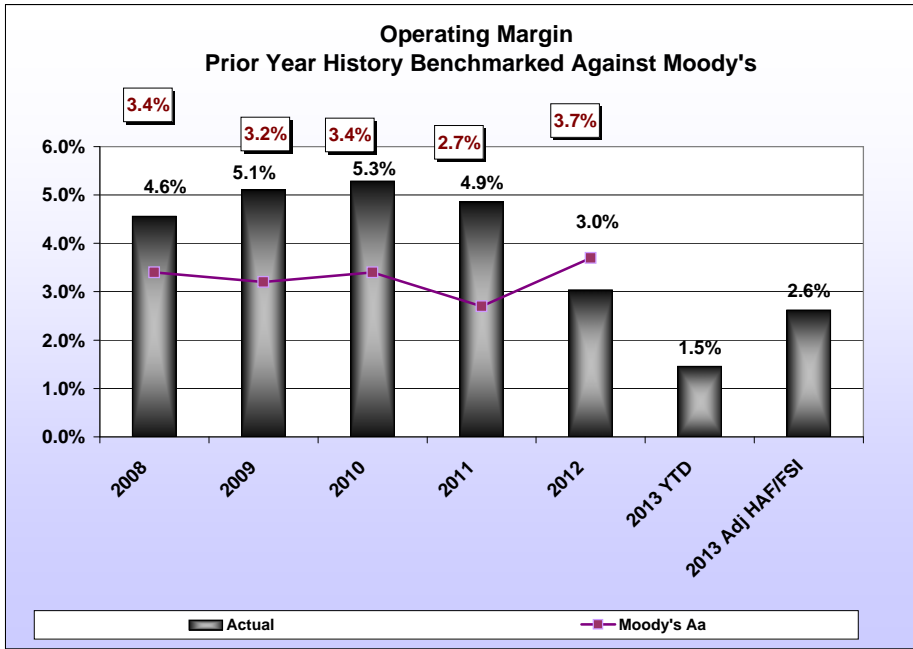
Unrestricted Cash and Investments. The Corporation's unrestricted cash and investments increased by 8.9%, from \$1.96 billion at December 31, 2012, to \$2.14 billion at December 31, 2013. At December 31, 2013, unrestricted cash and investments consisted of \$264.9 million of cash and short-term investments and \$1.87 billion of board designated funds. Days Cash on Hand at December 31, 2013, approximated 288 days.



Patient Accounts Receivable. Net accounts receivable decreased by \$24.1 million from December 31, 2012 to \$312.1 million at December 31, 2013. Net days in accounts receivable decreased slightly from 49.5 days at December 31, 2012 to 49.2 days as of December 31, 2013.

Long-Term Debt. At September 30, 2013, the Corporation's consolidated balance sheet shows cash and investments exceeding total debt, and the consolidated operating results for the twelve months ending December 31, 2013 demonstrates maximum debt service coverage (defined as excess of revenues over expenses plus depreciation, amortization and interest expense less unrealized gains/losses of trading securities and interest rate swap contracts divided by the estimated future peak principal and interest expense payment) of 3.8 times.

Change in Net Assets. Unrestricted net assets increased by \$549.5 million for the twelve months ending December 31, 2013, as compared to December 31, 2012. This increase reflects the favorable operating income of \$37.9 million, reduced by non-controlling interests in subsidiaries and equity distributions of \$17.3 million, and Non-Operating Revenue of \$206.8 million.





**Consolidating Balance Sheet
December 31, 2013 and 2012
(In thousands)**

	12.31.2013	12.31.2012		12.31.2013	12.31.2012
Assets			Liabilities and Net Assets		
Current assets			Current liabilities		
Cash and cash equivalents	\$ 232,244	\$ 199,565	Current portion of long-term debt	\$ 21,675	\$ 22,103
Short-term investments	32,664	37,159	Accounts payable and accrued expenses	193,438	228,870
Patient accounts receivable, net of allowance for doubtful accounts of \$51,435 in 2013 and \$42,917 in 2012	312,109	336,243	Accrued payroll and related expenses	116,454	110,656
Inventories of supplies	37,936	39,855	Estimated third-party payor settlements	<u>29,043</u>	<u>34,420</u>
Other current assets	<u>75,272</u>	<u>123,364</u>	Total current liabilities	360,610	396,049
Total current assets	690,225	736,186	Long-term debt, net of current portion	1,097,583	1,116,075
Board designated and other investments	1,872,507	1,726,696	Fair value of interest rate swap contracts	58,491	102,208
Property, plant, and equipment, net	1,587,554	1,570,193	Accrued pension liability	110,023	426,629
Investments in unconsolidated affiliates	23,495	21,378	Estimated insurance liabilities	130,294	130,132
Goodwill	24,541	21,361	Other liabilities	46,579	57,944
Intangible assets, net of accumulated amortization of \$16,412 in 2013 and \$10,544 in 2012	11,661	19,077	Total liabilities	<u>1,803,580</u>	<u>2,229,037</u>
Other assets	105,237	96,315	Net assets		
Total assets	<u>\$ 4,315,220</u>	<u>\$ 4,191,206</u>	Unrestricted	2,444,091	1,904,372
			Noncontrolling interests in consolidated affiliates	<u>30,791</u>	<u>28,376</u>
			Total unrestricted net assets	<u>2,474,882</u>	<u>1,932,748</u>
			Temporarily restricted	19,407	17,559
			Permanently restricted	<u>17,351</u>	<u>11,862</u>
			Total net assets	2,511,640	1,962,169
			Total liabilities and net assets	<u>\$ 4,315,220</u>	<u>\$ 4,191,206</u>



**Consolidated Statements of Operations and Changes in Net Assets
For Period Ending December 31, 2013 and 2012
(In Thousands)**

	12.31.2013	12.31.2012
Unrestricted revenues, gains, and other support		
Patient service revenue, net of contractual allowances and discounts	\$ 2,445,618	\$ 2,469,936
Provision for doubtful accounts	(124,322)	(106,994)
Net patient service revenue	<u>2,321,296</u>	<u>2,362,942</u>
Capitation and premium revenue	118,669	124,859
Other operating revenue	154,004	126,525
Equity in earnings of investments in unconsolidated affiliates	6,396	5,001
Net unrealized investment gains	8,408	5,533
Net assets released from restrictions used for operations	<u>95</u>	<u>2,001</u>
Total unrestricted revenues, gains, and other support	<u>2,608,868</u>	<u>2,626,861</u>
Operating expenses		
Salaries	1,018,641	1,000,612
Employee benefits	316,765	290,012
Physicians' fees	55,966	52,721
Utilities	43,158	43,031
Repairs and maintenance	39,949	41,115
Drugs and pharmaceuticals	122,251	95,961
Medical supplies	195,547	189,503
Insurance	29,220	38,749
Purchased services	259,997	253,927
Other supplies and expenses	312,707	340,145
Interest	36,792	35,133
Depreciation and amortization	<u>139,946</u>	<u>136,171</u>
Total operating expenses	<u>2,570,939</u>	<u>2,517,080</u>
Operating income before asset impairment	<u>37,929</u>	<u>109,781</u>
Asset impairment	<u>-</u>	<u>(30,000)</u>
Operating income	37,929	79,781
Other income (expense)		
Investment income	67,204	82,065
Net unrealized investment gains on trading securities	117,189	76,311
Net unrealized gains (losses) and periodic settlements on interest rate swap contracts	29,486	(10,673)
Gain (loss) on sale/disposal of assets	2,504	(1,045)
Net assets released from restrictions	(5,522)	1,318
Loss on refunding and conversion of long-term debt	-	(190)
Contributions	1,123	431
Other, net	<u>(5,206)</u>	<u>(4,850)</u>
Total other income, net	<u>206,778</u>	<u>143,367</u>
Excess of revenues over expenses	<u>\$ 244,707</u>	<u>\$ 253,148</u>



**Consolidated Statements of Operations and Changes in Net Assets
For Period Ending December 31, 2013 and 2012
(In Thousands)**

	12.31.2013	12.31.2012
Unrestricted net assets		
Excess of revenues over expenses	\$ 244,707	\$ 253,148
Change in pension and postretirement benefits other than net periodic pension costs included in accrued pension liability	316,973	\$ (116,529)
Distributions to noncontrolling interests of consolidated affiliates	(17,319)	(19,082)
Other, net	(4,613)	(241)
Net assets released from restrictions used for purchase of property, plant, and equipment	<u>2,386</u>	<u>1,658</u>
Increase in unrestricted net assets	<u>542,134</u>	<u>118,954</u>
Temporarily restricted net assets		
Contributions	5,287	3,498
Investment income	194	366
Net assets released from restrictions for operations	(5,472)	(3,659)
Net assets released from restrictions used for purchase of property, plant, and equipment	(1,079)	-
Net unrealized investment gains	93	100
Other, net	<u>2,825</u>	<u>(544)</u>
Increase in temporarily restricted net assets	<u>1,848</u>	<u>(239)</u>
Permanently restricted net assets		
Contributions	15	15
Investment income	159	95
Net unrealized investment gains (losses)	249	(64)
	<u>5,066</u>	<u>(119)</u>
Increase in permanently restricted net assets	<u>5,489</u>	<u>(73)</u>
Increase in net assets	549,471	118,642
Net assets, beginning of the year	<u>1,962,169</u>	<u>1,873,527</u>
Net assets, end of the year	<u>\$ 2,511,640</u>	<u>\$ 1,992,169</u>



Consolidated Statements of Cash Flows
(\$ In Thousands)

	Unaudited		Audited
	12.31.13		12.31.12
Cash flows from operating activities			
Increase (decrease) in net assets	\$ 549,471	\$	88,642
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation of plant, property, and equipment	130,157		131,558
Amortization of bond discounts, deferred financing costs and other intangible assets	6,520		4,614
Provision for doubtful accounts	124,322		106,994
Loss (gain) on sale/disposal of assets	(2,504)		1,045
Net investment gains	(192,801)		(163,909)
Asset impairment	-		30,000
Net unrealized losses on interest rate swap contracts	(43,717)		(3,756)
Distributions to noncontrolling interests in consolidated affiliates	19,734		19,082
Equity in earnings of investments in unconsolidated affiliates	(6,332)		(5,001)
Distributions from unconsolidated affiliates	4,215		8,261
Restricted contributions and investment income	(5,655)		(3,974)
Change in pension and postretirement benefits other than net periodic pension costs included in accrued pension liability	(316,973)		116,529
Changes in operating assets and liabilities:			
Patient accounts receivable	(100,189)		(130,699)
Inventories of supplies	1,919		(2,488)
Other assets	40,069		(42,943)
Accounts payable and accrued expenses	(38,261)		5,155
Accrued payroll and related expenses	5,797		11,528
Estimated third-party payor settlements	(5,378)		5,346
Estimated insurance liabilities	161		(6,230)
Accrued pension liability	367		(16,427)
Other liabilities	(11,366)		20,264
Total adjustments	<u>(389,915)</u>		<u>84,949</u>
Net cash provided by operating activities	<u>159,556</u>		<u>173,591</u>
Cash flows from investing activities			
Purchase of investments	(6,833,102)		(8,068,570)
Proceeds from sale of investments	6,884,587		8,228,260
Purchases of board designated and other investments in the HSD, net	-		(45,315)
Purchase of property, plant, and equipment	(144,544)		(208,646)
Acquisition of physician practices and other healthcare service organizations	(3,180)		(25,712)
Proceeds from sale of property, plant, and equipment	5,329		2,977
Proceeds from sale of investments in unconsolidated affiliates	-		-
Net cash used in investing activities	<u>(90,910)</u>		<u>(117,006)</u>
Cash flows from financing activities			
Proceeds from issuance of long-term debt	-		88,142
Refunding and conversion of long-term debt	-		(82,620)
Principal payments on long-term debt	(21,888)		(19,753)
Distributions to noncontrolling interests of consolidated affiliates	(19,734)		(19,082)
Restricted contributions and investment income	5,655		3,974
Net cash used by financing activities	<u>(35,967)</u>		<u>(29,339)</u>
Net increase (decrease) in cash and cash equivalents	32,679		27,246
Cash and cash equivalents, beginning of year	199,565		172,319
Cash and cash equivalents, end of period	<u>\$ 232,244</u>	\$	<u>199,565</u>



YTD December 31, 2013 and YTD December 31, 2012
Utilization and Sources of Gross Patient Revenue

Utilization	12/31/2013 Total	12/31/2012 Total
Average Staffed Beds	2,094	2,191
Discharges	82,076	90,022
Patient Days	372,771	413,154
Average Length of Stay (Days)	4.5	4.6
Average Daily Census	1,021	1,129
Occupancy	48.8%	51.5%
Case Mix Index	1.39	1.32
Medicare Case Mix Index	1.56	1.51
Adjusted Discharges	210,856	211,032

Sources of Patient Revenue	12/31/2013 \$ Total	12/31/2013 % Total	12/31/2012 \$ Total	12/31/2012 % Total
Medicare	\$2,611,893,450	37.7%	\$2,470,804,383	37.4%
Medicare managed care	395,808,974	5.7%	327,527,511	5.0%
Medicaid	613,469,205	8.8%	570,120,637	8.6%
Medicaid managed care	273,949,631	3.9%	295,719,405	4.5%
Blue Cross	1,394,583,023	20.1%	1,311,297,365	19.9%
Managed care contracts	986,335,098	14.2%	936,550,895	14.2%
Other commercial	213,485,164	3.1%	257,350,955	3.9%
Self-pay	372,478,479	5.4%	371,293,766	5.6%
Other	74,171,812	1.1%	58,807,823	0.9%
	\$6,936,174,836	100.0%	\$6,599,472,740	100.0%



Internally-Prepared, Unaudited
Obligated Group Affiliates
Financial Statements and Analysis

For December, 2013 YTD

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Consolidating Balance Sheet
Obligated Group and Designated Group Affiliates
December 31, 2013 and 2012
(In thousands)

	12.31.2013	12.31.2012		12.31.2013	12.31.2012
Assets			Liabilities and Net Assets		
Current assets			Current liabilities		
Cash and cash equivalents	189,853	172,270	Current portion of long-term debt	21,341	21,466
Patient accounts receivable, net of allowance for doubtful accounts of \$46,749 in 2013 and \$40,401 in 2012	292,538	308,141	Accounts payable and accrued expenses	161,727	183,479
Inventories of supplies	36,431	37,303	Accrued payroll and related expenses	108,961	99,246
Other current assets	<u>106,238</u>	<u>116,855</u>	Estimated third-party payor settlements	<u>29,023</u>	<u>34,326</u>
			Total current liabilities	321,052	338,517
Total current assets	625,060	634,569	Long term debt, net of current portion	1,095,267	1,114,225
Investments and assets limited as to use	1,686,673	1,558,720	Fair value of interest rate swap contracts	58,491	102,208
Property, plant & equipment, net	1,526,570	1,514,753	Accrued pension liability	109,028	425,081
Investments in unconsolidated affiliates	119,917	105,744	Estimated insurance liabilities	13,085	11,490
Goodwill	17,645	14,465	Other liabilities	46,150	57,888
Intangible assets, net of accumulated amortization of \$16,237 in 2013 and \$10,421 in 2012	11,661	19,036	Total liabilities	<u>1,643,073</u>	<u>2,049,409</u>
Other assets	123,145	108,760	Net Assets:		
			Unrestricted	2,419,656	1,872,250
			Noncontrolling interests in consolidated affiliates	28,482	25,918
			Total Unrestricted Net Assets	<u>2,448,138</u>	<u>1,898,168</u>
			Temporarily restricted	4,900	1,156
			Permanently restricted	<u>14,560</u>	<u>7,314</u>
			Total net assets	2,467,598	1,906,638
Total assets	<u>4,110,671</u>	<u>3,956,047</u>	Total liabilities and net assets	<u>4,110,671</u>	<u>3,956,047</u>



**Consolidated Statements of Operations and Changes in Net Assets
Obligated Group and Designated Group Affiliates
For Period Ending December 31, 2013 and 2012
(In Thousands)**

	12.31.2013	12.31.2012
Unrestricted revenues, gains, and other support		
Patient service revenue, net of contractual allowances and discounts	\$ 2,323,877	\$ 2,349,321
Provision for doubtful accounts	<u>(117,693)</u>	<u>(102,185)</u>
Net patient service revenue	2,206,184	2,247,136
Capitation and premium revenue	63,025	56,421
Other operating revenue	114,225	90,977
Equity in earnings of investments in unconsolidated affiliates	9,983	12,205
Net unrealized investment gains	8,408	5,533
Net assets released from restrictions used for operations	<u>95</u>	<u>2,001</u>
Total unrestricted revenues, gains, and other support	<u>2,401,920</u>	<u>2,414,273</u>
Operating expenses		
Salaries	938,471	910,962
Employee benefits	294,437	269,100
Physicians' fees	53,911	49,993
Utilities	41,009	40,495
Repairs and maintenance	38,384	38,871
Drugs and pharmaceuticals	112,042	84,367
Medical supplies	187,281	182,356
Insurance	23,465	30,519
Purchased services	241,591	236,003
Other supplies and expenses	256,038	290,475
Interest	36,713	35,038
Depreciation and amortization	<u>134,627</u>	<u>128,970</u>
Total operating expenses	<u>2,357,969</u>	<u>2,297,149</u>
Operating income before asset impairment	<u>43,951</u>	<u>117,124</u>
Asset impairment	<u>-</u>	<u>(30,000)</u>
Operating income	<u>43,951</u>	<u>87,124</u>
Other income (expense)		
Investment income	66,882	81,562
Net unrealized investment gains on trading securities	116,672	76,017
Net unrealized gains (losses) and periodic settlements on interest rate swap contracts	29,486	(10,673)
Gain (loss) on sale/disposal of assets	2,399	(1,030)
Contributions	856	272
Other, net	<u>(6,572)</u>	<u>(2,132)</u>
Total other income, net	<u>209,723</u>	<u>144,016</u>
Excess of revenues over expenses	<u>\$ 253,674</u>	<u>\$ 231,140</u>



**Consolidated Statements of Operations and Changes in Net Assets
Obligated Group and Designated Group Affiliates
For Period Ending December 31, 2013 and 2012
(In Thousands)**

	12.31.2013	12.31.2012
Unrestricted net assets		
Excess of revenues over expenses	\$ 253,674	\$ 231,140
Change in pension and postretirement benefits other than net periodic pension costs included in accrued pension liability	\$ 316,335	\$ (116,287)
Distributions to noncontrolling interests of consolidated affiliates	(17,319)	(19,082)
Equity transfers to affiliates, net	(4,929)	1,414
Transfer to non-obligated group member		19,238
Other, net	(172)	659
Net assets released from restrictions used for purchase of property, plant, and equipment	2,381	1,658
Increase in unrestricted net assets	549,970	118,740
Temporarily restricted net assets		
Contributions	10	2,748
Investment income	116	366
Net assets released from restrictions	(95)	(3,659)
Net assets released from restrictions for PPE	(179)	
Net unrealized investment gains	17	101
Transfer of temporarily restricted funds to non-obligated group member (FA Foundation)		(11,708)
Other, net	3,875	205
Increase in temporarily restricted net assets	3,744	(11,947)
Permanently restricted net assets		
Contributions	15	15
Investment income	159	30
Net unrealized investment gains	249	(64)
Other, net	6,823	(3,643)
Increase in permanently restricted net assets	7,246	(3,662)
Increase in net assets	560,960	103,131
Net assets, beginning of the year	1,906,638	1,803,507
Net assets, end of the year	\$ 2,467,598	\$ 1,906,638



(Obligated Group Affiliates)
 YTD December 31, 2013 and YTD December 31, 2012
 Utilization and Sources of Gross Patient Revenue

Utilization	12/31/2013 Total	12/31/2012 Total
Average Staffed Beds	2,062	2,159
Discharges	81,152	89,160
Patient Days	368,821	409,634
Average Length of Stay (Days)	4.5	4.6
Average Daily Census	1,010	1,119
Occupancy	49.0%	51.8%
Case Mix Index	1.39	1.31
Medicare Case Mix Index	1.56	1.52
Adjusted Discharges	196,559	200,816

Sources of Patient Revenue	12/31/2013 \$ Total	12/31/2013 % Total	12/31/2012 \$ Total	12/31/2012 % Total
Medicare	\$2,514,376,249	38.0%	\$2,390,122,221	38.1%
Medicare managed care	387,971,125	5.9%	326,080,403	5.2%
Medicaid	606,424,436	9.2%	558,399,734	8.9%
Medicaid managed care	269,037,391	4.1%	292,821,355	4.7%
Blue Cross	1,278,218,993	19.3%	1,213,508,237	19.3%
Managed care contracts	915,376,827	13.9%	843,781,891	13.4%
Other commercial	203,832,573	3.1%	242,096,561	3.9%
Self-pay	364,874,187	5.5%	355,786,615	5.7%
Other	68,324,203	1.0%	54,177,706	0.9%
	\$6,608,435,985	100.0%	\$6,276,774,723	100.0%