CONSOLIDATED FINANCIAL STATEMENTS

Intermountain Health Care, Inc. and Affiliated Companies
Years Ended December 31, 2015 and 2014
with Independent Auditors' Report

KPMG LLP
Suite 1500
15 W. South Temple
Salt Lake City, UT 84101

Independent Auditors' Report

Audit and Compliance Committee
Intermountain Health Care, Inc.:

We have audited the accompanying consolidated financial statements of Intermountain Health Care, Inc. and affiliated companies, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, 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 U.S. generally accepted accounting principles; 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Intermountain Health Care, Inc. and affiliated companies as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Salt Lake City, Utah
March 11, 2016

Intermountain Health Care, Inc. and Affiliated Companies
Consolidated Balance Sheets
(In Millions)

	December 31 2015	December 31 2014
Assets		
Current assets:		
Cash and equivalents	$ 421.1	$ 303.8
Assets limited as to use	650.8	564.2
Accounts receivable, less allowances for bad debts of $172.4 in 2015 and $152.1 in 2014	591.6	524.0
Inventory	116.0	107.2
Due from brokers for securities sold	183.5	177.1
Other current assets (see Note 4)	297.5	238.9
Total current assets	2,260.5	1,915.2
Assets limited as to use	4,892.6	5,066.5
Property and equipment, net	2,411.8	2,301.8
Other assets	198.1	157.1
Total assets	$ 9,763.0	$ 9,440.6
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 333.4	$ 305.5
Compensation and related liabilities	286.9	254.7
Due to brokers for securities purchased	392.6	417.1
Medical claims payable	168.9	111.7
Premium deficiency reserves (see Note 4)	159.3	161.5
Other current liabilities	168.1	152.5
Current portion of long-term debt	53.2	30.2
Long-term debt subject to short-term remarketing arrangements	491.5	402.7
Total current liabilities	2,053.9	1,835.9
Pension liability	239.2	213.5
Long-term debt	1,199.4	1,323.0
Other liabilities	482.5	436.0
Net assets:		
Unrestricted	5,582.7	5,444.1
Temporarily restricted	173.1	157.0
Permanently restricted	32.2	31.1
	5,788.0	5,632.2
Total liabilities and net assets	$ 9,763.0	$ 9,440.6

See accompanying notes to consolidated financial statements.

Intermountain Health Care, Inc. and Affiliated Companies
Consolidated Statements of Operations and Changes in Net Assets
(In Millions)

	Year Ended December 31 2015	2014
Revenues		
Patient services	$ 3,814.5	$ 3,621.1
Provision for bad debts	(215.3)	(152.8)
Net patient services	3,599.2	3,468.3
Premiums and administration fees	2,206.0	1,829.4
Other revenues	253.4	228.0
Total revenues	6,058.6	5,525.7
Expenses		
Employee compensation and benefits	2,607.4	2,329.8
Medical claims	1,040.1	941.0
Supplies	1,034.4	937.8
Other operating expenses	823.6	729.2
	5,505.5	4,937.8
Earnings before interest, depreciation and amortization	553.1	587.9
Depreciation and amortization	276.3	235.7
Interest	48.3	50.8
	324.6	286.5
Net operating income	228.5	301.4
Investment income	50.6	129.6
Excess of revenues over expenses	$ 279.1	$ 431.0

(continued)

Intermountain Health Care, Inc. and Affiliated Companies

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

(In Millions)

	Year Ended December 31	
	2015	**2014**
Unrestricted net assets		
Excess of revenues over expenses	$ 279.1	$ 431.0
Net assets released from restrictions for the purchase of property and equipment	5.7	19.8
Unrecognized changes in funded status of postretirement benefit plans	(7.4)	(555.0)
Change in net unrealized investment gains on other-than-trading securities	(138.9)	(38.3)
Other	0.1	(2.8)
Increase (decrease) in unrestricted net assets	138.6	(145.3)
Temporarily restricted net assets		
Contributions	34.9	25.7
Investment income (loss)	(0.7)	1.3
Net assets released from restrictions and other	(18.1)	(38.1)
Increase (decrease) in temporarily restricted net assets	16.1	(11.1)
Permanently restricted net assets		
Contributions and other	1.1	(0.1)
Increase (decrease) in net assets	155.8	(156.5)
Net assets at beginning of year	5,632.2	5,788.7
Net assets at end of year	$ 5,788.0	$ 5,632.2

See accompanying notes to consolidated financial statements.

Intermountain Health Care, Inc. and Affiliated Companies

Consolidated Statements of Cash Flows

(In Millions)

	Year Ended December 31 2015	2014
Operating activities		
Cash received from patient services	$ 3,538.5	$ 3,410.5
Cash received from premiums and administration fees	2,175.2	1,829.2
Other receipts from operations	287.0	219.5
Interest and dividends received	66.7	69.0
Cash paid for employee compensation and benefits	(2,586.7)	(2,520.3)
Cash paid for medical claims	(988.7)	(852.2)
Cash paid for supplies and other operating expenses	(1,884.4)	(1,633.2)
Interest paid	(50.8)	(52.7)
Net cash provided by operating activities	556.8	469.8
Investing activities		
Purchases of property and equipment	(383.1)	(353.8)
Assets limited as to use:		
Net decrease (increase) in cash investments	212.8	(205.3)
Purchases of investments	(1,221.6)	(989.1)
Sales and maturities of investments	868.0	702.4
Net sales (purchases) of trading securities	129.2	(135.2)
Change in collateral posted for interest rate swaps	(2.0)	(19.9)
Cash paid for acquisition, net of cash acquired	(29.6)	—
Net cash used in investing activities	(426.3)	(1,000.9)
Financing activities		
Proceeds from issuance of debt	—	250.0
Repayment of debt	(30.3)	(28.7)
Restricted contributions and other	17.1	5.7
Net cash provided by (used in) financing activities	(13.2)	227.0
Net increase (decrease) in cash and equivalents	117.3	(304.1)
Cash and equivalents at beginning of year	303.8	607.9
Cash and equivalents at end of year	$ 421.1	$ 303.8

(continued)

Intermountain Health Care, Inc. and Affiliated Companies
Consolidated Statements of Cash Flows (continued)
(In Millions)

	Year Ended December 31	
	2015	**2014**
Reconciliation of increase (decrease) in net assets to net cash provided by operating activities		
Increase (decrease) in net assets	$ 155.8	$ (156.5)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Investment losses (gains), net	142.3	(107.8)
Net change in fair value of interest rate swaps	13.2	88.9
Contributions in excess of postretirement benefit plans expense	(1.7)	(207.8)
Unrecognized changes in funded status of postretirement benefit plans	7.4	555.0
Restricted contributions	(8.5)	(6.2)
Depreciation and amortization	276.3	235.7
Net changes in current assets and liabilities:		
Accounts receivable	(67.6)	(49.1)
Inventory	(8.8)	(7.5)
Other current assets	(35.3)	(99.3)
Accounts payable and accrued liabilities	(2.6)	46.8
Compensation and related liabilities	32.2	20.2
Medical claims payable	57.2	28.7
Premium deficiency reserves	(2.2)	140.4
Other current liabilities	14.9	(10.2)
Decrease in other liabilities	(8.6)	(3.6)
Other	(7.2)	2.1
Net cash provided by operating activities	$ 556.8	$ 469.8

See accompanying notes to consolidated financial statements.

1. Organization

The mission of Intermountain Health Care, Inc. (Intermountain) is "helping people live the healthiest lives possible." Intermountain is a Utah not-for-profit corporation that has been granted an exemption from federal income tax as a charitable organization under Section 501(c)(3) of the Internal Revenue Code (Code). Intermountain is the sole corporate member or parent company of several not-for-profit companies, the most significant of which is IHC Health Services, Inc. (Health Services). Health Services, which has been granted an exemption from federal income tax as a charitable organization under Section 501(c)(3) of the Code, owns and manages hospitals, clinics and other healthcare-related operations, principally in Utah. Intermountain is also the sole corporate member of SelectHealth, Inc. (SelectHealth), a licensed health maintenance organization that has been granted an exemption from federal income tax as a social welfare organization under Section 501(c)(4) of the Code.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the operations of Intermountain and its affiliated companies (the Company), which include Health Services and SelectHealth. Intercompany balances and transactions have been eliminated in consolidation. The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires certain estimates that affect the reported amounts of assets, liabilities, revenues and expenses. Due to uncertainties inherent in these estimation processes, there is at least a reasonable possibility that actual results may differ materially from these estimates in the near term.

Charity Care

Health Services is dedicated to the principle that generally available and medically necessary healthcare services should be accessible to all residents of the communities it serves without regard to race, religion, gender, national origin, physical or mental disability, veteran status or ability to pay. Decisions about medical necessity and the appropriate course of treatment are made by a physician or other licensed medical practitioner. Health Services has established a financial assistance policy for both the uninsured and the underinsured. Health Services offers discounts of up to 100% of charges on a sliding scale, which is based on income as a percentage of the Federal Poverty Level guidelines, available liquid assets and charges for services rendered. Health Services' financial assistance guidelines also have provisions that are responsive to those patients subject to catastrophic healthcare expenses. Charity care services are not reported as revenue because payment is not anticipated. Charity care represents only one component of community benefit provided by Health Services.

2. Significant Accounting Policies (continued)

Cash and Equivalents
Cash and equivalents consist of deposits with banks and highly liquid investments in interest-bearing securities with original maturity dates of three months or less at the date of purchase.

Assets Limited as to Use
Assets limited as to use consist of investments that are classified as trading or other than trading based on management's intent and ability to hold each investment. Other-than-trading securities that experience declines in value are regularly evaluated for other-than-temporary impairment. Impairment losses for declines in the value of other-than-trading securities below cost are evaluated based on relevant facts and circumstances for each investment. Impairment losses are recognized in investment income in the consolidated statements of operations and changes in net assets when deemed to be other than temporary.

The Company accounts for its investments on a trade-date basis. Investment sales and purchases initiated prior to the consolidated balance sheet date and settled subsequent to the consolidated balance sheet date result in amounts due from and to brokers. Changes in these assets and liabilities represent noncash investing activities excluded from the consolidated statements of cash flows. The cost of investments sold is determined in accordance with the specific identification method, and realized gains and losses are included in investment income in the consolidated statements of operations and changes in net assets.

Concentrations of Credit Risk
Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable. Medicare and Medicaid accounts represent 44% and 39% of net accounts receivable at December 31, 2015 and 2014, respectively. Management does not believe there are any other significant concentrations of credit risk at December 31, 2015 or 2014.

Inventory
Inventory is carried at the lower of cost, determined on the average-cost method, or net realizable value.

Property and Equipment
Property and equipment are stated on the basis of cost. Expenditures that increase values or extend useful lives are capitalized, and routine maintenance and repairs are charged to expense in the period incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation begins in the month of acquisition or when constructed assets are ready for their intended use. Useful lives are generally assigned as listed in the American Hospital Association publication, *Estimated Useful Lives of Depreciable Hospital Assets*.

2. Significant Accounting Policies (continued)

Interest During Construction

Interest capitalized on borrowed funds expended for construction is a component of the cost of property additions to be allocated to future periods through depreciation. Capitalization of interest ceases when the property addition is ready for its intended use.

Long-lived Assets

Long-lived assets are reviewed for impairment when there is evidence that events or changes in circumstances indicate the carrying amount of such assets may not be fully recoverable. Recoverability of an asset or asset group is assessed by comparing the carrying amount to the estimated undiscounted future net cash flows, which approximate fair value. If impairment is indicated, then the carrying amount of long-lived assets is reduced to the approximate fair value. In addition, remaining estimated useful lives of long-lived assets are adjusted based on planned changes in the intended use of the assets.

Medical Claims Payable

Medical claims payable reflects claims payable to healthcare providers other than Health Services and includes both claims reported to SelectHealth as of the consolidated balance sheet date and actuarial estimates of incurred-but-not-reported medical services. The liability for these medical benefits is reviewed on a regular basis and reflects management's best estimate of claims SelectHealth expects to pay.

Premium Deficiency Reserves

Premium deficiency reserves are recognized by SelectHealth when the expected future claim payments and administration costs of a grouping of existing contracts exceed the premiums to be collected for the remainder of the contract period. Deficiencies in one grouping of contracts are not offset by anticipated surpluses in other groupings. Reserves are regularly reviewed and adjusted as experience develops or new information becomes known, and changes in these reserves are included in medical claims in the consolidated statements of operations and changes in net assets.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent funds restricted by donors for specific purposes or for a period of time. When specific donor restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as other revenues or net assets released from restrictions for the purchase of property and equipment depending on the nature of the donation.

Pledges receivable that are to be unrestricted as to use are classified as temporarily restricted net assets as they carry an implied time restriction until they have been collected. When payment is received, these pledges are reclassified to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as other revenues.

2. Significant Accounting Policies (continued)

Permanently Restricted Net Assets

Permanently restricted net assets represent assets restricted by donors to investment in perpetuity, the income from which is expendable for specific healthcare programs and services.

Patient Services Revenues and Provision for Bad Debts

Patient services revenues are derived from services provided by Health Services to patients. Health Services receives payments directly from patients or on behalf of patients from the federal government under the Medicare program, state governments under their Medicaid programs, private insurance companies and managed care programs. Health Services recognizes patient services revenues in the period services are rendered to patients who have third-party payer coverage based on contractual rates for the services provided. Patient services revenues are adjusted in future periods as final settlements and reconciliations with third-party payers are determined.

For uninsured patients who do not qualify for charity care, Health Services recognizes patient services revenues for services provided on a discounted basis from its established rates, as provided by policy. Based on historical experience, a significant portion of Health Services' uninsured and underinsured patients are unwilling to pay for the services provided. Accordingly, Health Services records an estimated provision for bad debts in the period services are rendered.

Management estimates the provision for bad debts by assessing the collectibility, timing and amount of patient services revenues by considering historical collection rates for each major payer source, general economic trends and other indicators. Management also assesses the adequacy of allowances for bad debts based on historical write-offs, accounts receivable aging and other factors.

Premiums and Administration Fees

Premium revenues are derived from membership contracts with employer groups, government entities and others that are generally written on an annual basis. The associated premiums are recognized as revenue in the period in which enrolled members are entitled to receive healthcare services. Deferred revenue includes amounts received by SelectHealth prior to the period of coverage and is included in other current liabilities in the consolidated balance sheets. Administration fees consist of amounts charged to self-funded employer groups for services performed in connection with the administration of their health benefit programs.

2. Significant Accounting Policies (continued)

Other Revenues

Other revenues primarily include pharmacy sales, lab services to unaffiliated healthcare providers, supply chain services, contributions from donors, cafeteria sales, and medical office rentals.

Operating and Nonoperating Activities

The Company's primary objective is to meet the healthcare needs of individuals through a broad range of general and specialized healthcare services, including inpatient acute care, outpatient services, clinical services, healthcare insurance and other healthcare services. Activities directly associated with the furtherance of this objective are considered to be operating activities. Nonoperating activities principally include investment activities and net changes in the fair value of interest rate swap agreements.

Excess of Revenues over Expenses

Excess of revenues over expenses includes the Company's operating and certain investing activities. Changes in unrestricted net assets not included in excess of revenues over expenses primarily include net assets released from restrictions for the purchase of property and equipment, unrecognized changes in funded status of postretirement benefit plans, and change in net unrealized investment gains on other-than-trading securities.

Fair Value of Financial Instruments

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The carrying amounts of cash and equivalents, accounts receivable, and accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments. Assets limited as to use and interest rate swap agreements are carried at fair value. The fair value disclosed for long-term debt is based on independent pricing models or other model-based valuation techniques using rates currently available for debt with similar terms and remaining maturities.

2. Significant Accounting Policies (continued)

Interest Rate Swap Agreements

The accounting for changes in the fair value of interest rate swap agreements related to Health Services' long-term debt depends on whether the interest rate swaps have been designated and qualify as part of a hedging relationship. Health Services assesses, both at the inception of the hedging relationship and on an ongoing basis, whether the derivatives used in hedging relationships are highly effective in offsetting changes in the cash flows of hedged transactions. For interest rate swaps designated as cash flow hedges, the effective portion of changes in the fair value of cash flow hedges is recognized as a change in unrestricted net assets excluded from excess of revenues over expenses in the consolidated statements of operations and changes in net assets and is subsequently recognized in interest expense when the hedged transaction affects earnings. The ineffective portion of changes in the fair value of cash flow hedges is recognized in investment income in the consolidated statements of operations and changes in net assets. For interest rate swap agreements not designated as hedges, changes in fair value are recognized in investment income and settlement transactions are recognized in interest expense.

Pension and Other Postretirement Plans

The Company records amounts related to Intermountain's pension and other postretirement plans based on estimates that incorporate various actuarial and other assumptions, including discount rates, mortality, rates of return, compensation increases and employee turnover rates. Management reviews these assumptions on an annual basis and modifies them based on current rates and trends, as appropriate. The effect of modifications to the assumptions is recorded as a change in unrestricted net assets excluded from excess of revenues over expenses and is amortized to pension cost and other postretirement benefit over future periods using the corridor method. Management believes that the assumptions utilized in recording its obligations under its pension and other postretirement plans are reasonable based on the experience of these plans and market conditions.

New and Pending Accounting Pronouncements

Effective January 1, 2015, the Company adopted the provisions included in Accounting Standards Update (ASU) 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, issued by the Financial Accounting Standards Board (FASB). These new provisions affect fair value measurement disclosures only and remove the requirement to categorize within the fair value hierarchy financial instruments in certain funds with fair values measured using net asset value (NAV) or its equivalent. The provisions of this ASU were applied retrospectively. The adoption of this guidance resulted in updated disclosures within Notes 5 and 19 for the years ended December 31, 2015 and 2014.

2. Significant Accounting Policies (continued)

New and Pending Accounting Pronouncements (continued)

In April 2015, the FASB issued ASU 2015-03, *Interest – Imputation of Interest*. This ASU requires debt issuance costs be presented in the balance sheets as direct deductions from the carrying amount of debt liability consistent with debt discounts and premiums. The recognition and measurement of debt issuance costs are not affected by this ASU. The provisions of this ASU are effective for the Company beginning January 1, 2016. When adopted, this ASU requires retrospective application of its provisions that will result in a decrease in other assets and long-term debt of $5.5 as reported at December 31, 2015.

On May 28, 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This ASU replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles when it becomes effective. The new standard also requires additional disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers*, which deferred the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The Company is evaluating the effects the adoption of this standard will have on its consolidated financial statements and accompanying disclosures.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. This ASU, among other things, requires certain equity method investments to be measured at fair value with changes in fair value recognized in earnings and updates certain disclosure requirements related to financial instruments. The provisions of this ASU are effective for the Company beginning January 1, 2018. When adopted, this ASU requires a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The Company is evaluating the effects the adoption of this standard will have on its consolidated financial statements and accompanying disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This ASU requires lessees to recognize a lease liability and a right of use asset for all leases longer than 12 months at the commencement date of the lease and disclose key information about leasing arrangements. The provisions of this ASU are effective for the Company beginning January 1, 2019. When adopted, this ASU requires a modified retrospective application of its provisions as of the beginning of the fiscal year of adoption. The Company is evaluating the effects the adoption of this standard will have on its consolidated financial statements and accompanying disclosures.

(Dollars in Millions)

2. Significant Accounting Policies (continued)

Reclassifications

Certain reclassifications were made to the 2014 consolidated financial statements and accompanying notes to conform to the 2015 presentation. These changes had no impact on excess of revenues over expenses or net assets of the Company.

3. Charity Care and Community Benefit

The cost of charity care provided by Health Services was $158.7 and $170.8 in 2015 and 2014, respectively. The cost to provide charity care for patients who qualify under Health Services' financial assistance policy was determined by multiplying the charges incurred at established rates for services rendered by Health Services' cost-to-charge ratio. In addition to charity care, the Company also provides significant financial support to improve the health of individuals in the communities it serves.

A summary of estimated costs to provide charity care and other community services is as follows:

	Year Ended December 31	
	2015	**2014**
Cost of charity care	$ 158.7	$ 170.8
Other community benefit services and contributions	84.6	79.4
Volunteer services	2.8	2.7
	$ 246.1	$ 252.9

Health Services also incurs shortfalls between its established rates and amounts paid by the Medicare (principally related to elderly patients), Medicaid (principally related to low-income patients) and TRICARE (principally related to patients in the military and their dependents) programs. These shortfalls are not included in charity care.

The Company provides community benefit activities that address significant health priorities identified by the Company. Activities include community health education to prevent chronic diseases, increasing access to health and behavioral health services and education to prevent childhood accidents. Other community benefit activities include community and school-based health clinics, intern and resident training, health professions education and medical research. Health Services owns and operates four community and school-based health clinics to meet the needs of uninsured, low-income and homeless patients in neighborhoods where there are no other healthcare providers. Health Services also provides financial and in-kind support to 36 independently owned community safety-net clinics in Utah and Idaho that provide healthcare services to medically underserved patients. In addition, Health Services is committed to providing healthcare services to rural communities, operating nine hospitals in rural locations.

3. Charity Care and Community Benefit (continued)

In 2015, Health Services committed $15.0 to the University of Utah School of Medicine (UUSM) to support the construction of UUSM's new education building. As of December 31, 2015, Health Services is scheduled to pay $3.0 annually from 2016 to 2020.

In addition, in 2015, Health Services committed $9.0 to the Huntsman Cancer Foundation (HCF) to support research at the Huntsman Cancer Institute (HCI). Neither HCF nor HCI is affiliated with Health Services. As of December 31, 2015, Health Services had paid $3.0 of this commitment and is scheduled to pay $3.0 annually in 2016 and 2017. In 2013, Health Services committed $20.0 to HCF to support the construction of HCI's Primary Children's and Families' Cancer Research Center. As of December 31, 2015, Health Services had paid $8.0 of this commitment and is scheduled to pay $4.0 annually from 2016 to 2018.

Health Services provides a number of services that are not self-supporting, for which net patient services revenues are less than the costs required to provide the services. Such negative margin services benefit uninsured and low-income patients as well as the broader community, but are not expected to be financially self-supporting. For example, Health Services is the only provider of behavioral health services in many of the communities in which it operates.

The communities the Company serves also benefit from services provided by volunteers, trustees and medical staff that might otherwise require the use of compensated employees and trustees. Volunteer services are not reported as operating expenses in the consolidated statements of operations and changes in net assets because no payment is made.

SelectHealth provides cost-effective insurance programs to underserved markets, including individuals and small employer groups. In 2014, SelectHealth began offering plans in Utah and Idaho in the insurance marketplaces resulting from the Patient Protection and Affordable Care Act (ACA). SelectHealth's investment in programs to support communities has resulted in premium deficiencies, as described in Note 4. The communities SelectHealth serves also benefit from a variety of sponsored health and wellness activities, including online and work-site health programs, health fairs and flu shot clinics. In addition, SelectHealth provides annual grants to outside organizations that promote health.

4. Premium Stabilization Programs

Effective January 1, 2014, significant ACA reforms were implemented through new plan offerings in the individual and small employer markets SelectHealth serves. To stabilize financial results, the federal government established transitional and permanent risk-sharing programs with insurers of ACA-compliant plans.

The permanent risk adjustment program redistributes insurer premiums based on qualitative market data. Estimated receipts are included in premiums and administration fees in the consolidated statements of operations and changes in net assets. Net receivable balances related to this risk adjustment program are included in other current assets in the consolidated balance sheets and were $27.4 as of December 31, 2015. SelectHealth did not record an estimate for the risk adjustment program as of December 31, 2014, due to a lack of available data. Premiums and administration fees were increased by $15.1 in 2015 to reflect changes in estimates of risk adjustment program receivable balances for 2014.

The transitional reinsurance program reimburses insurers of certain ACA-compliant plans for claimants exceeding specified limits. Estimated recoveries are included as a reduction of medical claims in the consolidated statements of operations and changes in net assets. Receivables related to this reinsurance program are included in other current assets in the consolidated balance sheets and were $58.1 and $61.3 as of December 31, 2015 and 2014, respectively. In addition, SelectHealth's assessment for this reinsurance program of $19.7 and $25.2 as of December 31, 2015 and 2014, respectively, are included in accounts payable and accrued liabilities in the consolidated balance sheets.

The transitional risk corridor program, which shares excessive insurer gains or losses with the federal government, resulted in receivable balances of $259.0 and $105.3 as of December 31, 2015 and 2014, respectively. However, due to uncertainty regarding the collectibility of this receivable from the federal government, corresponding allowances of $259.0 and $105.3 were recorded as of December 31, 2015 and 2014, respectively. These uncertainties related to collections under the transitional risk corridor program resulted in the premium deficiency reserves recorded for 2016 and 2015 to be increased by $133.5 and $129.1 as of December 31, 2015 and 2014, respectively. As a result, the Company has incurred losses of $392.5 cumulatively during 2014 and 2015 related to the risk corridor program under the ACA. During 2015, the Company received notice from the federal government that $13.8 of the amounts owed from the 2014 risk corridor program would be funded, of which $11.9 had been collected as of December 31, 2015. Management intends to aggressively pursue all available means to collect any risk corridor receivables that it believes are fully valid under existing law.

4. Premium Stabilization Programs (continued)

The ACA includes a medical loss ratio (MLR) provision requiring insurers to rebate premium to policyholders if certain minimum expense to premium thresholds are not met. SelectHealth met its MLR requirements and did not issue any rebates related to the years ended December 31, 2015 and 2014.

5. Fair Value Measurements

The methods used to determine the fair value of financial instruments reflect market participant objectives and are based on the application of a valuation hierarchy that prioritizes observable market inputs over unobservable inputs. The hierarchy is based on the reliability of inputs as follows:

- Level 1 – Valuation is based on quoted prices for identical financial instruments in active markets. The Company does not adjust the quoted price for Level 1 financial instruments.

- Level 2 – Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and independent pricing models or other model-based valuation techniques using observable inputs.

- Level 3 – Certain types of financial instruments are classified as Level 3 within the valuation hierarchy because these financial instruments trade infrequently and, therefore, have little or no price transparency.

(Dollars in Millions)

5. Fair Value Measurements (continued)

The following table presents a categorization, based on the foregoing valuation hierarchy, of the Company's financial instruments measured at fair value as of December 31, 2015:

	Level 1	Level 2	Level 3	Fair Value
Cash equivalents	$ 180.0	$ –	$ –	$ 180.0
Collateral posted for interest rate swaps	–	26.2	–	26.2
Assets limited as to use:				
Cash investments	$ 67.6	$ 13.2	$ –	$ 80.8
Equity securities:				
Domestic	705.7	–	–	705.7
Emerging markets	253.0	–	–	253.0
Energy funds	235.2	–	–	235.2
Global/international	464.2	–	–	464.2
Fixed-income securities:				
Asset-backed	1.1	67.4	4.0	72.5
Corporate	38.8	434.7	3.7	477.2
Foreign government	–	22.4	–	22.4
Global/international debt fund	81.1	–	–	81.1
Mortgage-backed:				
Commercial	–	47.8	–	47.8
Residential	6.2	336.3	–	342.5
Registered investment company funds	16.2	–	–	16.2
U.S. and state government agencies	25.6	81.3	–	106.9
U.S. government	–	503.4	–	503.4
Asset allocation funds	38.6	–	–	38.6
Investment derivatives	–	5.6	–	5.6
	$ 1,933.3	$ 1,512.1	$ 7.7	3,453.1
Investments measured using NAV per share or its equivalent				2,090.3
Total assets limited as to use				$ 5,543.4

(Dollars in Millions)

5. Fair Value Measurements (continued)

The following table presents a categorization, based on the foregoing valuation hierarchy, of the Company's financial instruments measured at fair value as of December 31, 2014:

	Level 1	Level 2	Level 3	Fair Value
Cash equivalents	$ 140.8	$ –	$ –	$ 140.8
Collateral posted for interest rate swaps	3.5	20.7	–	24.2
Assets limited as to use:				
Cash investments	$ 248.6	$ 45.0	$ –	$ 293.6
Equity securities:				
Domestic	941.2	–	–	941.2
Emerging markets	303.8	–	–	303.8
Energy funds	157.4	–	–	157.4
Global/international	495.7	–	–	495.7
Fixed-income securities:				
Asset-backed	10.4	30.0	4.6	45.0
Corporate	37.7	489.9	4.7	532.3
Foreign government	–	32.6	–	32.6
Global/international debt fund	40.7	–	–	40.7
Mortgage-backed:				
Commercial	–	48.2	1.1	49.3
Residential	–	279.5	–	279.5
U.S. and state government agencies	35.8	88.0	–	123.8
U.S. government	–	403.1	–	403.1
Asset allocation fund	24.6	–	–	24.6
Investment derivatives	–	5.7	–	5.7
	$ 2,295.9	$ 1,422.0	$ 10.4	3,728.3
Investments measured using NAV per share or its equivalent				1,902.4
Total assets limited as to use				$ 5,630.7

(Dollars in Millions)

5. Fair Value Measurements (continued)

There were no transfers of financial instruments between Level 1 and Level 2 classifications during either 2015 or 2014. Changes of Level 3 financial instruments are as follows:

	Year Ended December 31 2015	2014
Balance at beginning of year	$ 10.4	$ 8.3
Net realized gains	0.2	0.2
Net unrealized losses	–	(0.1)
Purchases	1.2	1.8
Sales	(1.8)	(1.5)
Transfers in (out)	(2.3)	1.7
Balance at end of year	$ 7.7	$ 10.4

Net realized and unrealized gains and losses on financial instruments classified as Level 3 are reported in investment income and change in net unrealized investment gains on other-than-trading securities, respectively, in the consolidated statements of operations and changes in net assets.

The Company uses a practical expedient for the estimation of the fair value of investments in funds for which the investment does not have a readily determinable fair value. The practical expedient used by the Company for certain financial instruments is the NAV per share. Valuations provided by fund administrators for these financial instruments consider variables such as the financial performance of underlying investments, recent sales prices of underlying investments and other pertinent information. Management reviews the valuations and assumptions provided by fund administrators for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value.

The practical expedient used by the Company for certain financial instruments is the NAV per share equivalent. For these financial instruments, the valuation of the transaction price is initially used as the best estimate of fair value. Accordingly, when a private debt, private equity, real asset or strategic development fund administrator provides a valuation, it is adjusted so that the value at inception equals the transaction price. The initial valuation is adjusted when changes to inputs and assumptions are corroborated by evidence, such as transactions of similar financial instruments; completed or pending third-party transactions in the underlying security; offerings in the capital markets; and changes in financial results, data or cash flows. For positions that are not traded in active markets or are subject to notice provisions, valuations are adjusted to reflect such provisions, and such adjustments are generally based on available market evidence.

(Dollars in Millions)

5. Fair Value Measurements (continued)

The following table presents information for investments where either the NAV per share or its equivalent was used to value the investments as of December 31:

	2015	2014	Redemption Frequency	Redemption Notice Period
Common/collective trust funds	$ 359.9	$ 365.6	Daily, monthly	1–30 days
Global/international debt funds	315.2	355.4	Daily, monthly	1–15 days
Asset allocation funds	197.4	150.4	Weekly, monthly	5 days
Absolute return and hedge funds	471.9	468.5	Monthly, quarterly	2–95 days
Commodities funds	85.0	93.1	Monthly	5–30 days
Private debt, private equity, real asset and strategic development funds	660.9	469.4	Event-driven	–
	$ 2,090.3	$ 1,902.4		

Common/collective trust funds include investments that are operated by trust companies that handle a pooled group of trust accounts. Common/collective trust funds combine the assets of various institutional investors to create a larger, well-diversified portfolio. The objectives of a common/collective trust fund are to provide lower costs to investors through economies of scale and to offer liquidity and better diversification. Each investor owns a participating interest that is calculated in shares and represents the investor’s portion of the holdings of the fund.

Global/international debt funds seek to provide growth and income primarily through investing in a portfolio of bonds and other fixed and floating rate securities issued by governments, government agencies, and multinational and corporate issuers in developed and emerging markets.

The asset allocation funds use dynamic strategies to balance risk exposures by creating portfolios that are intended to perform well in all economic environments and generate real returns with better diversification and lower volatility than either stock or bond investments.

5. Fair Value Measurements (continued)

Absolute return and hedge funds include investments with varying strategies. Absolute return funds are investments in hedge funds that utilize strategies designed to generate consistent long-term capital appreciation with low volatility and little correlation with equity and bond markets. Hedge funds utilize both long and short investing strategies in U.S. and foreign securities.

Commodities funds seek to provide protection against inflation primarily through investments of commodity-linked derivative instruments.

Private debt, private equity, real asset and strategic development funds can only be liquidated on an infrequent basis, the timing of which cannot be determined. In addition, the Company has minimal ability to influence the operating decisions affecting these investments. The fair value of these funds have been estimated using the most current information available, which is as of September 30 of the year listed or later, adjusted for cash flows and other known events impacting fair value since the valuation date. Health Services has committed up to $1,206.7 for investment in these funds through 2020, of which $610.6 had been funded as of December 31, 2015.

Health Services has certain interest rate swap agreements related to its long-term debt to manage its exposure to fluctuations in interest rates. These interest rate swap agreements, categorized as Level 2 of the valuation hierarchy, are reported in other liabilities in the consolidated balance sheets. The valuation of these agreements is determined using accepted valuation techniques, including an analysis of the discounted expected cash flows of each interest rate swap. This analysis reflects the contractual terms of the interest rate swaps, including the period to maturity or call, and uses observable market-based inputs, including interest rate curves and implied volatilities. In addition, Health Services has incorporated the risks of its own and the counterparties' nonperformance in the fair value measurements.

Collateral posted for interest rate swap agreements consists of cash investments and U.S. government securities, which are categorized as Level 1 and Level 2 financial instruments, respectively.

Health Services offsets the fair value of various investment derivative instruments when executed with the same counterparty under a master netting arrangement. Health Services invests in a variety of investment derivative instruments through a fixed-income manager that has executed a master netting arrangement with the counterparties of each of its futures and forward currency purchase and sale contracts whereby the financial instruments held by the same counterparty are legally offset as the instruments are settled.

(Dollars in Millions)

5. Fair Value Measurements (continued)

The following table presents gross investment derivative assets and liabilities reported on a net basis included in assets limited as to use in the consolidated balance sheets:

	December 31 2015	December 31 2014
Derivative assets:		
Futures contracts	$ 1,034.7	$ 314.9
Forward currency and other contracts	342.0	312.2
	1,376.7	627.1
Derivative liabilities:		
Futures contracts	(1,034.7)	(314.9)
Forward currency and other contracts	(336.4)	(306.5)
	(1,371.1)	(621.4)
Net investment derivative assets	$ 5.6	$ 5.7

Investment derivative instruments, reported in assets limited as to use in the consolidated balance sheets, are recorded at fair value. Level 1 investment derivatives include futures contracts. Level 2 investment derivatives include forward currency and other contracts.

6. Assets Limited as to Use

Assets limited as to use consist of internally and externally designated investments as follows:

	December 31 2015	December 31 2014
Internally designated	$ 5,250.6	$ 5,220.0
Bond funds held in trust	115.3	223.1
Donor-restricted funds	177.5	187.6
	$ 5,543.4	$ 5,630.7

Assets limited as to use reported as current include internally designated investments. Management has designated certain current investments for the repayment of long-term debt subject to short-term remarketing arrangements should such repayment become necessary and for the payment of amounts related to premium deficiency reserves in the consolidated balance sheets.

(Dollars in Millions)

6. Assets Limited as to Use (continued)

Assets limited as to use reported as noncurrent include internally designated investments, bond funds held in trust and donor-restricted funds. Management has designated noncurrent investments for the acquisition of property and equipment, repayment of long-term debt, and the payment of professional and general liability and workers' compensation self-insurance claims. Bond funds held in trust include amounts held by a trustee in accordance with bond trust indentures. The use of these funds is primarily restricted to reimbursing Health Services for the costs of certain capital projects. Donor-restricted funds include amounts held by consolidated foundations that will be used for various programs, services or local community needs.

The Company classifies its assets limited as to use as follows:

	December 31	
	2015	**2014**
Other-than-trading securities	$ 3,151.9	$ 3,214.0
Trading securities	1,931.1	2,033.3
Investments held by consolidated foundations	251.2	264.6
Equity method investment funds and other	209.2	118.8
	$ 5,543.4	$ 5,630.7

(Dollars in Millions)

6. Assets Limited as to Use (continued)

A summary of other-than-trading securities as of December 31, 2015 is as follows:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Cash investments	$ 11.1	$ –	$ –	$ 11.1
Equity securities:				
Common/collective trust funds	258.2	64.6	(3.8)	319.0
Domestic	272.6	128.0	(7.9)	392.7
Emerging markets	309.2	–	(64.5)	244.7
Global/international	103.7	26.1	(0.2)	129.6
Fixed-income securities:				
Asset-backed	4.0	–	–	4.0
Corporate	87.8	–	(0.1)	87.7
Global/international debt funds	412.0	4.0	(19.7)	396.3
U.S. and state government agencies	37.9	–	(0.1)	37.8
U.S. government	170.1	0.7	(6.0)	164.8
Asset allocation funds	181.2	20.1	(3.9)	197.4
Alternative investments:				
Absolute return and hedge funds	413.8	57.8	(0.2)	471.4
Commodities funds	89.7	–	(4.7)	85.0
Private debt funds	146.0	16.0	(0.3)	161.7
Private equity funds	244.3	55.8	(11.9)	288.2
Real asset funds	111.1	17.9	(2.7)	126.3
Strategic development funds	33.5	1.9	(1.2)	34.2
	$ 2,886.2	$ 392.9	$ (127.2)	$ 3,151.9

(Dollars in Millions)

6. Assets Limited as to Use (continued)

A summary of other-than-trading securities as of December 31, 2014 is as follows:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Cash investments	$ 219.9	$ –	$ –	$ 219.9
Equity securities:				
Common/collective trust funds	234.1	99.0	–	333.1
Domestic	263.3	140.0	(0.5)	402.8
Emerging markets	308.5	1.5	(9.6)	300.4
Global/international	143.3	41.7	–	185.0
Fixed-income securities:				
Asset-backed	4.0	–	–	4.0
Corporate	143.0	–	(0.2)	142.8
Global/international debt funds	410.7	8.1	(22.7)	396.1
U.S. and state government agencies	56.1	–	(0.2)	55.9
U.S. government	44.5	0.5	(1.6)	43.4
Asset allocation funds	120.0	30.4	–	150.4
Alternative investments:				
Absolute return and hedge funds	403.2	65.6	(1.6)	467.2
Commodities funds	102.6	–	(9.5)	93.1
Private debt funds	62.8	21.0	–	83.8
Private equity funds	173.7	33.1	(2.2)	204.6
Real asset funds	93.7	14.3	(1.2)	106.8
Strategic development funds	26.0	–	(1.3)	24.7
	$ 2,809.4	$ 455.2	$ (50.6)	$ 3,214.0

(Dollars in Millions)

6. Assets Limited as to Use (continued)

A summary of other-than-trading securities that were in continuous unrealized loss positions but were deemed to be temporarily impaired as of December 31, 2015 is as follows:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Equity securities:						
Common/collective trust funds	$ 73.0	$ (3.8)	$ –	$ –	$ 73.0	$ (3.8)
Domestic	79.7	(7.9)	–	–	79.7	(7.9)
Emerging markets	28.2	(4.4)	216.5	(60.1)	244.7	(64.5)
Global/international	27.4	(0.2)	–	–	27.4	(0.2)
Fixed-income securities:						
Corporate	48.2	(0.1)	33.9	–	82.1	(0.1)
Global/international debt funds	–	–	314.3	(19.7)	314.3	(19.7)
U.S. and state government agencies	–	–	31.4	(0.1)	31.4	(0.1)
U.S. government	106.1	(4.5)	33.2	(1.5)	139.3	(6.0)
Asset allocation funds	57.4	(3.9)	–	–	57.4	(3.9)
Alternative investments:						
Absolute return and hedge funds	–	–	12.3	(0.2)	12.3	(0.2)
Commodities funds	–	–	40.5	(4.7)	40.5	(4.7)
Private debt funds	13.7	(0.3)	–	–	13.7	(0.3)
Private equity funds	43.0	(6.2)	31.7	(5.7)	74.7	(11.9)
Real asset funds	26.8	(1.8)	8.3	(0.9)	35.1	(2.7)
Strategic development funds	2.1	(0.1)	8.3	(1.1)	10.4	(1.2)
Total temporarily impaired securities	$ 505.6	$ (33.2)	$ 730.4	$ (94.0)	$ 1,236.0	$ (127.2)

(Dollars in Millions)

6. Assets Limited as to Use (continued)

A summary of other-than-trading securities that were in continuous unrealized loss positions but were deemed to be temporarily impaired as of December 31, 2014 is as follows:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
Equity securities:						
Domestic	$ 44.5	$ (0.5)	$ –	$ –	$ 44.5	$ (0.5)
Emerging markets	264.5	(9.6)	–	–	264.5	(9.6)
Fixed-income securities:						
Corporate	131.4	(0.1)	0.6	(0.1)	132.0	(0.2)
Global/international debt funds	83.7	(5.9)	200.4	(16.8)	284.1	(22.7)
U.S. and state government agencies	38.2	–	16.7	(0.2)	54.9	(0.2)
U.S. government	15.3	(1.6)	0.2	–	15.5	(1.6)
Alternative investments:						
Absolute return and hedge funds	12.2	(0.4)	28.7	(1.2)	40.9	(1.6)
Commodities funds	–	–	48.2	(9.5)	48.2	(9.5)
Private equity funds	3.0	(0.2)	32.5	(2.0)	35.5	(2.2)
Real asset funds	7.1	(0.4)	2.3	(0.8)	9.4	(1.2)
Strategic development funds	–	–	11.2	(1.3)	11.2	(1.3)
Total temporarily impaired securities	$ 599.9	$ (18.7)	$ 340.8	$ (31.9)	$ 940.7	$ (50.6)

Gross unrealized losses shown in the preceding tables are considered temporary based on the Company's specific criteria for evaluating these losses. Impairment of other-than-trading securities is evaluated considering numerous factors, including the length of time and extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer of the security, and the Company's intent and ability to hold other-than-trading securities for a period of time sufficient to allow for an anticipated recovery to the cost basis.

(Dollars in Millions)

6. Assets Limited as to Use (continued)

For debt securities whose fair values have declined below amortized cost, the Company also evaluates the expected cash flows and the likelihood of receiving all contractual principal and interest payments. For debt securities that are deemed not to be credit impaired, the Company assesses whether it intends or would be required to sell the security before the expected recovery of the amortized cost basis.

If the loss incurred on equity securities or the credit component of the loss incurred on debt securities is determined to be other than temporary based on the Company's evaluation, then the loss is reclassified from a change in unrestricted net assets excluded from excess of revenues over expenses to investment income in the consolidated statements of operations and changes in net assets.

7. Investment Income

A summary of investment income is as follows:

	Year Ended December 31	
	2015	**2014**
Net realized gains on other-than-trading securities	$ 102.2	$ 94.0
Net realized gains on trading securities	92.7	49.8
Interest and dividend income	77.6	81.1
Net change in fair value of interest rate swap agreements	(13.6)	(86.0)
Other-than-temporary impairments	(54.3)	(20.1)
Net recognized gains (losses) on trading securities	(182.0)	20.3
Other	28.0	(9.5)
	$ 50.6	$ 129.6

Net recognized gains (losses) on trading securities represent unrealized gains and losses included in excess of revenues over expenses in the consolidated statements of operations and changes in net assets. Unrealized gains and losses from other-than-trading securities are recognized as changes in unrestricted net assets excluded from excess of revenues over expenses in the consolidated statements of operations and changes in net assets.

(Dollars in Millions)

8. Property and Equipment

A summary of property and equipment is as follows:

	December 31	
	2015	**2014**
Buildings and improvements	$ 2,656.9	$ 2,555.5
Equipment and software	1,344.3	1,163.9
	4,001.2	3,719.4
Less accumulated depreciation	(2,151.4)	(1,962.1)
	1,849.8	1,757.3
Land	301.3	283.0
Construction in progress	260.7	261.5
	$ 2,411.8	$ 2,301.8

The estimated useful life is 10 to 40 years for buildings and improvements, 3 to 15 years for equipment and 3 to 7 years for software. As of December 31, 2015, the Company had remaining contractual obligations of $189.6 for various construction and software development projects.

9. Other Assets

A summary of other noncurrent assets is as follows:

	December 31	
	2015	**2014**
Investments	$ 80.6	$ 36.1
Intangible assets, net	65.9	0.2
Prepaid health and welfare plan benefit	24.0	104.1
Other	27.6	16.7
	$ 198.1	$ 157.1

(Dollars in Millions)

10. Other Current Liabilities

A summary of other current liabilities is as follows:

	December 31	
	2015	**2014**
Estimated Medicare and Medicaid settlements	$ 66.7	$ 61.4
Deferred revenue	55.2	43.7
Self-insurance liabilities, current portion	24.8	29.9
Other	21.4	17.5
	$ 168.1	$ 152.5

Estimated Medicare and Medicaid settlements represent estimated cost report and other third-party settlements. Laws and regulations governing Medicare and Medicaid change frequently, are complex, and are subject to interpretation. Administrative procedures for both Medicare and Medicaid preclude final settlement until the related cost reports have been audited by the sponsoring agency and settled.

11. Line of Credit

Health Services has a syndicated line of credit of $100.0 with four financial institutions, each providing $25.0 of this line. As of and throughout the years ended December 31, 2015 and 2014, there were no amounts outstanding on the line of credit, which expires September 30, 2016.

12. Self-insurance Liabilities

Self-insurance programs include professional and general liability, workers' compensation, and directors and officers' liability coverage through self-insurance programs and commercial excess liability insurance. Total undiscounted self-insurance liabilities, including current and noncurrent liabilities, were $149.9 and $167.3 at December 31, 2015 and 2014, respectively. The noncurrent portion of self-insurance liabilities is included in other liabilities in the consolidated balance sheets. The Company actuarially determined the liabilities for the professional liability and workers' compensation programs for its share of estimated losses.

(Dollars in Millions)

13. Long-term Debt

Health Services' long-term debt is summarized as follows:

	Annual Interest Rates	December 31 2015	December 31 2014
Long-term debt:			
Revenue bond issues:			
2000, due through 2035	Variable[1]	$ 125.0	$ 125.0
2002B and 2002C, due through 2035	Variable[1]	119.0	119.0
2003, due through 2036	Variable[1]	308.0	308.0
2005, due through 2037	Variable[1]	214.9	222.5
2009, due through 2041	5.00%	225.0	240.0
2011, due through 2019	4.00% to 5.00%	29.1	36.5
2012A, due through 2039	4.375%	200.0	200.0
2012, due through 2043	2.75% to 5.00%	221.4	221.4
2014A, due through 2045	4.00% to 5.00%	158.1	158.1
2014B and 2014C, due through 2049	Variable[1]	80.0	80.0
Other notes payable	0.50% to 6.02%	28.6	7.9
		1,709.1	1,718.4
Add net unamortized premiums		35.0	37.5
Less current portion of long-term debt		(53.2)	(30.2)
Less long-term debt subject to short-term remarketing arrangements		(491.5)	(402.7)
Total long-term debt		$ 1,199.4	$ 1,323.0

[1]Variable rates at December 31, 2015 were 0.01% to 0.21%.

The fair value of debt, categorized as Level 2 of the valuation hierarchy, was $1,819.8 and $1,829.7 at December 31, 2015 and 2014, respectively.

As of December 31, 2015, Health Services had certain interest rate swap agreements that effectively convert principal balances of $597.7 of its variable-rate debt to a fixed-rate basis. As of December 31, 2015, this portion of variable-rate debt had a weighted average synthetic fixed rate of 3.37%.

(Dollars in Millions)

13. Long-term Debt (continued)

In August 2014, Health Services issued $238.1 of Series 2014A, 2014B and 2014C Hospital Revenue Bonds at a premium of $11.9 through Utah County, Utah. Proceeds from these bonds are being used to reimburse the costs of constructing and equipping certain of Health Services' healthcare facilities.

Variable-rate revenue bonds, while subject to long-term amortization periods, may be put to Health Services or to contracted liquidity providers by virtue of executed standby bond purchase agreements at the option of the bondholders in the event of a failed bond remarketing. To the extent that bondholders may, under the terms of the debt, put their bonds back to Health Services and the repayment terms under the related liquidity facility could be due within one year, the principal amount of such bonds has been classified as a current liability in the consolidated balance sheets. Management has taken steps to provide various sources of liquidity in the event the bonds fail to remarket, including identifying alternate sources of financing and maintaining internally designated assets as a source of self-liquidity.

Revenue bonds are issued by municipalities or counties on behalf of Health Services under a master trust indenture. The master trust indenture and other credit and liquidity facility agreements contain certain financial covenants including maintaining a minimum debt service coverage ratio and an unrestricted cash and investments to debt ratio.

Principal maturities of long-term debt for the next five years and thereafter, considering long-term debt subject to short-term remarketing arrangements is due according to the long-term amortization schedules, are as follows:

2016	$ 53.2
2017	33.9
2018	35.0
2019	36.3
2020	37.9
Thereafter	1,512.8
Long-term debt principal payments	$ 1,709.1

14. Interest Rate Swap Agreements

Health Services has certain interest rate swap agreements that reduce the impact of interest rate changes on future interest expense. As of December 31, 2014, Health Services had interest rate swap agreements with notional amounts of $255.8 that were designated as cash flow hedges related to the forecasted interest payments of the Series 2003 and 2005 Bonds. As of September 30, 2015, these interest rate swap agreements no longer qualified for hedge accounting treatment according to applicable accounting guidance. As a result, subsequent changes in the fair value of these swap agreements are being recognized in investment income in the consolidated statements of operations and changes in net assets. Notional amounts of interest rate swap agreements were $1,026.9 as of December 31, 2015. None of the interest rate swap agreements were designated as cash flow hedges as of December 31, 2015.

In December 2014, Health Services modified three of its existing interest rate swap agreements. An interest rate basis swap that was not previously designated as a cash flow hedge was terminated. Health Services received $4.7 as a result of the termination. An interest rate swap that was previously designated as a cash flow hedge was partially terminated. As of the modification date, a cumulative deferred net loss of $23.0 for this interest rate swap was recorded as a change in unrestricted net assets. Health Services paid $7.2 as a result of the partial termination. The surviving portion of this interest rate swap is not designated as a cash flow hedge. An interest rate swap that was previously designated as a cash flow hedge was novated to a different financial institution and then restructured. As of the modification date, a cumulative deferred net loss of $22.7 for this interest rate swap was recorded as a change in unrestricted net assets. Health Services did not pay or receive cash as a result of the modification. The restructured interest rate swap is not designated as a cash flow hedge.

Accumulated net losses from interest rate swap agreements previously designated as cash flow hedges that have not been recognized in excess of revenues over expenses in the consolidated statements of operations and changes in net assets were $72.4 as of December 31, 2015. These accumulated net losses will be amortized to investment income in the consolidated statements of operations and changes in net assets, using the effective interest method, through 2037.

The fair value of interest rate swap liabilities, categorized as Level 2 of the valuation hierarchy, was $205.4 and $192.2 at December 31, 2015 and 2014, respectively.

(Dollars in Millions)

14. Interest Rate Swap Agreements (continued)

Health Services has International Swap Dealers Association (ISDA) Master Agreements with three counterparties. Under the provisions of two ISDA agreements, as amended, Health Services is required to deposit collateral with the counterparty when the net liability position to Health Services of all interest rate swap agreements held with the respective counterparty exceeds $75.0 exclusive of any fair value adjustments to the liability positions for nonperformance risk. At December 31, 2015 and 2014, Health Services posted collateral of $26.2 and $24.2, respectively, under the provisions of one of these ISDA agreements. The provisions of the remaining ISDA agreement do not require collateral deposits.

Under master netting provisions of the ISDA agreement with one of the counterparties, Health Services is permitted to settle with the counterparty on a net basis. Due to the right of offset under these master netting provisions, Health Services offsets the fair value of certain interest rate swap agreements and the related collateral deposited with the counterparty in other liabilities in the consolidated balance sheets.

The following table presents information on the fair value of interest rate swaps:

	Balance Sheet Location	December 31 2015	2014
Interest rate swaps not designated as hedges	Other liabilities	$ 205.4	$ 135.1
Interest rate swaps designated as cash flow hedges	Other liabilities	—	57.1
Less collateral posted for interest rate swaps	Other liabilities	(26.2)	(24.2)
		$ 179.2	$ 168.0

(Dollars in Millions)

14. Interest Rate Swap Agreements (continued)

The following table presents information on the effect of interest rate swap agreements in the consolidated statements of operations and changes in net assets:

Interest Rate Swaps Designated as Cash Flow Hedges	**Statement of Operations and Changes in Net Assets Location**	**Year Ended December 31 2015**	**2014**
Realized losses	Interest expense	$ 5.1	$ 17.2
Unrealized gains – ineffective portion	Investment income	—	(2.7)
Unrealized losses (gains) – effective portion	Other changes in unrestricted net assets	(0.4)	2.9
Interest Rate Swaps Not Designated as Hedges			
Realized losses	Interest expense	13.0	4.7
Unrealized losses	Investment income	13.6	88.7

15. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	December 31 2015	**2014**
Healthcare programs and services	$ 111.1	$ 101.3
Community benefit	30.1	32.9
Buildings and equipment	19.5	9.9
Research	12.4	12.9
	$ 173.1	$ 157.0

(Dollars in Millions)

16. Litigation and Other Matters

The healthcare industry is subject to numerous laws, ordinances and regulations enacted or issued by federal, state and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. Nationally, government activity has continued with respect to investigations and allegations concerning possible violations of laws and regulations within the healthcare industry, which could result in the imposition of significant fines and penalties, and significant repayments of amounts received for patient services previously billed. The Company is subject to such regulatory reviews.

Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the normal course of business. After consultation with legal counsel, management believes that all asserted and known unasserted claims will be resolved without material adverse effect on the Company's financial condition.

17. Patient Services Revenues

Payments received under the Medicare, Medicaid and other programs are generally based on predetermined rates or the allowable cost of services. Overall, Medicare and Medicaid payments are less than Health Services' established rates and corresponding contractual adjustments are recognized in the period services are rendered. Patient services revenues were increased by $19.0 and $31.9 in 2015 and 2014, respectively, to reflect changes in Medicare and Medicaid settlements for prior years.

Patient services revenues, net of contractual adjustments and discounts, by major payer source are as follows:

	Year Ended December 31	
	2015	**2014**
Commercial insurance and other	$ 2,293.1	$ 2,104.0
Medicare	966.3	961.7
Medicaid	422.1	439.4
Self-pay	133.0	116.0
	$ 3,814.5	$ 3,621.1

(Dollars in Millions)

18. Operating Expenses

A summary of the Company's operating expenses is as follows:

	Year Ended December 31	
	2015	**2014**
Healthcare services	$ 5,022.6	$ 4,532.7
Support services	807.5	691.6
	$ 5,830.1	$ 5,224.3

Healthcare services include a broad range of general and specialized healthcare activities and healthcare insurance for patients and members within the various geographic areas supported by the Company's operations. Support services include information systems, revenue cycle, supply chain, accounting, budgeting, decision support, risk management, public relations, human resources, legal, internal audit and other functions.

19. Employee Retirement and Other Postretirement Plans

Intermountain sponsors a 401(k) defined contribution plan for all employees. Employee contributions are matched up to a maximum of 4% of each participant's eligible compensation. The Company contributed $57.4 and $52.8 to the 401(k) plan in 2015 and 2014, respectively.

Intermountain also sponsors a noncontributory defined benefit pension plan that covers substantially all employees. Employees who are at least 21 years of age and have a minimum of one year of qualifying service are eligible to participate in the pension plan.

Intermountain also sponsors a contributory health and welfare postretirement benefit plan that offers medical benefits to eligible employees who have at least 10 years of qualified service and have attained age 55 while in service with the Company. The health and welfare plan also offers dental and group term life insurance benefits to plan participants. On January 1, 2015, the health and welfare postretirement benefit plan was amended to incorporate long-term disability and short-term disability benefits. As a result of this amendment, $100.0 of funds previously designated to pay benefits under the health and welfare postretirement plan were designated to fund these disability benefits, resulting in a decrease to the funded status of the health and welfare postretirement benefit by a corresponding amount.

(Dollars in Millions)

19. Employee Retirement and Other Postretirement Plans (continued)

A summary of changes in the benefit obligations, fair value of plan assets, and the pension benefit (liability) and other postretirement benefit is as follows:

	Pension Plan		Health and Welfare Plan	
	Year Ended December 31		Year Ended December 31	
	2015	2014	2015	2014
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 2,722.0	$ 2,114.8	$ 54.1	$ 47.2
Service cost	119.2	96.7	1.6	1.2
Interest cost	109.8	103.2	1.9	2.3
Participant contributions	—	—	4.0	4.2
Benefits paid	(124.5)	(106.7)	(5.9)	(6.4)
Actuarial loss (gain)	(133.9)	514.0	(23.9)	5.6
Benefit obligation at end of year	2,692.6	2,722.0	31.8	54.1
Change in fair value of plan assets:				
Fair value of plan assets at beginning of year	2,508.5	2,244.2	158.2	155.5
Designation of assets for disability benefits	—	—	(100.0)	—
Actual return on plan assets, net of expenses	(51.0)	103.4	(0.5)	4.9
Employer contributions	120.4	267.6	—	—
Participant contributions	—	—	4.0	4.2
Benefits paid	(124.5)	(106.7)	(5.9)	(6.4)
Fair value of plan assets at end of year	2,453.4	2,508.5	55.8	158.2
Funded status – net benefit (liability)	$ (239.2)	$ (213.5)	$ 24.0	$ 104.1

The accumulated benefit obligation of the pension plan was $2,562.7 and $2,624.1 at December 31, 2015 and 2014, respectively.

(Dollars in Millions)

19. Employee Retirement and Other Postretirement Plans (continued)

Amounts included in unrestricted net assets that will be recognized in pension cost and other postretirement benefit in future periods are as follows:

	Pension Plan		Health and Welfare Plan	
	December 31		December 31	
	2015	2014	2015	2014
Unrecognized net actuarial gain (loss)	$ (1,072.9)	$ (1,067.1)	$ 57.5	$ 39.2
Unrecognized net prior service credit	111.7	131.6	—	—
Amounts in unrestricted net assets	$ (961.2)	$ (935.5)	$ 57.5	$ 39.2

Changes in unrestricted net assets excluded from excess of revenues over expenses are as follows:

	Pension Plan		Health and Welfare Plan	
	Year Ended December 31		Year Ended December 31	
	2015	2014	2015	2014
Amortized during the year:				
Net actuarial loss (gain)	$ 68.3	$ 34.8	$ (1.8)	$ (1.5)
Net prior service credit	(19.9)	(19.9)	—	—
Occurring during the year:				
Net actuarial gain (loss)	(74.1)	(557.8)	20.1	(10.6)
Increase (decrease) in unrestricted net	$ (25.7)	$ (542.9)	$ 18.3	$ (12.1)

Assumptions used to determine the benefit obligations are as follows:

	Pension Plan		Health and Welfare Plan	
	December 31		December 31	
	2015	2014	2015	2014
Discount rate	4.48%	4.12%	3.99%	3.68%
Rate of compensation increase	4.00	3.50	—	—

(Dollars in Millions)

19. Employee Retirement and Other Postretirement Plans (continued)

A summary of pension cost and other postretirement benefit is as follows:

	Pension Plan		Health and Welfare Plan	
	Year Ended December 31		Year Ended December 31	
	2015	2014	2015	2014
Service cost	$ 119.2	$ 96.7	$ 1.6	$ 1.2
Interest cost	109.8	103.2	1.9	2.3
Expected return on plan assets	(157.0)	(147.2)	(3.4)	(9.8)
Amortization of net actuarial loss (gain)	68.3	34.8	(1.8)	(1.5)
Amortization of net prior service credit	(19.9)	(19.9)	—	—
Cost (benefit)	$ 120.4	$ 67.6	$ (1.7)	$ (7.8)

Amounts in unrestricted net assets expected to be recognized as components of net periodic pension cost and other postretirement benefit in 2016 include a net actuarial loss of $53.5 and a net prior service credit of $19.9.

Assumptions used to determine pension cost and other postretirement benefit are as follows:

	Pension Plan		Health and Welfare Plan	
	Year Ended December 31		Year Ended December 31	
	2015	2014	2015	2014
Discount rate	4.12%	5.00%	3.68%	5.00%
Expected return on plan assets	6.50	7.00	6.50	7.00
Rate of compensation increase	3.50	3.50	—	—

The overall rate of return on assets assumption is based on historical returns, adhering to the asset allocations set forth in the investment policies of the pension and health and welfare plans. The expected return on plan assets is 6.5% for determining pension cost and other postretirement benefit for the year ending December 31, 2016.

Intermountain adopted an updated mortality improvement scale (MP-2015), which was released by the American Society of Actuaries during 2015. Incorporating the assumptions from the new mortality scale resulted in decreases in the pension liability and the unrecognized net actuarial losses within unrestricted net assets of $35.8 in the consolidated balance sheet as of December 31, 2015. In 2014, Intermountain adopted new mortality tables and improvement scales (RP-2014 and MP-2014). Incorporating the assumptions from these mortality tables and scales resulted in increases in the pension liability and the unrecognized net actuarial losses within unrestricted net assets of $202.5 in the consolidated balance sheet as of December 31, 2014.

(Dollars in Millions)

19. Employee Retirement and Other Postretirement Plans (continued)

Intermountain has frozen certain other postretirement benefits it provides; therefore, the effect of future healthcare cost trend rates is not significant to total service and interest cost or to the benefit obligation.

Methods for determining the fair value of financial instruments held by the pension plan are consistent with those described in Note 5. The following table presents a categorization, based on the valuation hierarchy, of the pension plan's financial instruments measured at fair value as of December 31, 2015:

	Level 1	Level 2	Level 3	Fair Value
Cash investments	$ 55.6	$ 7.3	$ –	$ 62.9
Equity securities:				
Domestic	310.9	–	–	310.9
Emerging markets	103.8	–	–	103.8
Energy funds	125.8	–	–	125.8
Global/international	134.1	–	–	134.1
Fixed-income securities:				
Asset-backed	14.0	9.9	–	23.9
Corporate	3.7	148.6	2.1	154.4
Foreign government	–	7.4	–	7.4
Global/international debt fund	41.2	–	–	41.2
Mortgage-backed:				
Commercial	–	32.7	–	32.7
Residential	19.6	144.2	–	163.8
U.S. and state government agencies	5.7	7.5	–	13.2
U.S. government	–	227.3	–	227.3
Investment derivatives	(0.8)	1.2	0.2	0.6
	$ 813.6	$ 586.1	$ 2.3	1,402.0
Investments measured using NAV per share or its equivalent				1,207.1
Accrued income				3.1
Transactions pending settlement, net				(158.8)
Fair value of plan assets				$ 2,453.4

(Dollars in Millions)

19. Employee Retirement and Other Postretirement Plans (continued)

The following table presents a categorization, based on the valuation hierarchy, of the pension plan's financial instruments measured at fair value as of December 31, 2014:

	Level 1	Level 2	Level 3	Fair Value
Cash investments	$ 167.3	$ 9.0	$ –	$ 176.3
Equity securities:				
Domestic	450.4	–	–	450.4
Emerging markets	127.0	–	–	127.0
Energy funds	78.1	–	–	78.1
Global/international	211.1	–	–	211.1
Fixed-income securities:				
Asset-backed	–	5.7	–	5.7
Corporate	3.6	114.3	2.5	120.4
Foreign government	–	4.7	–	4.7
Global/international debt fund	21.3	–	–	21.3
Mortgage-backed:				
Commercial	–	28.3	1.1	29.4
Residential	–	31.7	–	31.7
U.S. and state government agencies	66.8	8.6	–	75.4
U.S. government	–	240.7	–	240.7
Investment derivatives	–	2.9	–	2.9
	$ 1,125.6	$ 445.9	$ 3.6	1,575.1
Investments measured using NAV per share or its equivalent				992.1
Accrued income				2.9
Transactions pending settlement, net				(61.6)
Fair value of plan assets				$ 2,508.5

There were no transfers of the pension plan's financial instruments between Level 1 and Level 2 classifications during either 2015 or 2014. Changes in the pension plan's Level 3 financial instruments are as follows:

	Year Ended December 31	
	2015	2014
Balance at beginning of year	$ 3.6	$ 2.0
Purchases	1.1	1.5
Sales	(1.3)	(1.0)
Transfers in (out)	(1.1)	1.1
Balance at end of year	$ 2.3	$ 3.6

(Dollars in Millions)

19. Employee Retirement and Other Postretirement Plans (continued)

The pension plan uses the NAV per share or its equivalent to measure fair value of the following types of financial instruments as of December 31, as described in Note 5:

	2015	2014	Redemption Frequency	Redemption Notice Period
Common/collective trust funds	$ 173.0	$ 146.3	Monthly	6–30 days
Global/international debt funds	186.2	204.7	Daily, monthly	1–15 days
Asset allocation funds	118.8	86.5	Weekly, monthly	5 days
Absolute return and hedge funds	264.1	265.1	Monthly, quarterly	2–95 days
Commodities funds	61.9	42.5	Monthly	5–30 days
Private equity, private debt and real asset funds	403.1	247.0	Event-driven	–
	$ 1,207.1	$ 992.1		

The pension plan offsets the fair value of various investment derivative instruments when executed with the same counterparty under a master netting arrangement. The pension plan invests in a variety of investment derivative instruments through a fixed-income manager that has executed a master netting arrangement with the counterparties of each of its futures and forward currency purchase and sale contracts whereby the financial instruments held by the same counterparty are legally offset as the instruments are settled.

(Dollars in Millions)

19. Employee Retirement and Other Postretirement Plans (continued)

The following table presents gross investment derivative assets and liabilities reported on a net basis in pension plan investments:

	December 31 2015	December 31 2014
Derivative assets:		
Futures contracts	$ 631.0	$ 227.5
Forward currency and other contracts	270.7	173.5
	901.7	401.0
Derivative liabilities:		
Futures contracts	(631.0)	(227.5)
Forward currency and other contracts	(270.1)	(170.6)
	(901.1)	(398.1)
Net investment derivative assets	$ 0.6	$ 2.9

Investment derivative instruments, included in pension plan assets, are recorded at fair value. Level 1 investment derivatives include futures contracts. Level 2 investment derivatives include forward currency and other contracts.

Methods for determining the fair value of financial instruments held by the health and welfare plan are consistent with those described in Note 5. The following table presents a categorization, based on the valuation hierarchy, of the health and welfare plan's financial instruments measured at fair value as of December 31, 2015:

	Level 1	Level 2	Level 3	Fair Value
Cash investments	$ 1.1	$ –	$ –	$ 1.1
Equity securities:				
Domestic	22.2	–	–	22.2
Emerging markets	3.5	–	–	3.5
Global/international	1.1	–	–	1.1
Registered investment company funds	11.3	–	–	11.3
Asset allocation fund	11.2	–	–	11.2
	$ 50.4	$ –	$ –	50.4
Investments measured using NAV per share or its equivalent				5.4
Fair value of plan assets				$ 55.8

(Dollars in Millions)

19. Employee Retirement and Other Postretirement Plans (continued)

The following table presents a categorization, based on the valuation hierarchy, of the health and welfare plan's financial instruments measured at fair value as of December 31, 2014:

	Level 1	Level 2	Level 3	Fair Value
Cash investments	$ 4.5	$ –	$ –	$ 4.5
Equity securities:				
Domestic	65.0	–	–	65.0
Emerging markets	10.7	–	–	10.7
Global/international	4.8	–	–	4.8
Registered investment company funds	30.6	–	–	30.6
Asset allocation fund	31.5	–	–	31.5
	$ 147.1	$ –	$ –	147.1
Investments measured using NAV per share or its equivalent				13.2
Transactions pending settlement, net				(2.1)
Fair value of plan assets				$ 158.2

There were no transfers of the health and welfare plan's financial instruments between Level 1, Level 2 or Level 3 classifications during either 2015 or 2014.

The health and welfare plan uses the NAV per share to measure the fair value of its investment in a common/collective trust fund as described in Note 5. The fair value of this common/collective trust fund was $5.4 and $13.2 as of December 31, 2015 and 2014, respectively. This fund can be redeemed on a monthly basis with 6 days notice.

The primary investment objective of the plans is to maximize long-term investment returns recognizing the need to preserve capital, provide retirement income, and provide health and welfare benefits to plan participants and beneficiaries. Assets are strategically allocated within asset classes and across investment styles to enhance investment returns and reduce risk. A long-term time horizon is used for evaluating total fund investment performance.

Intermountain has not yet determined the amount it will contribute to the pension plan in 2016, and does not expect to contribute to the health and welfare plan in 2016.

(Dollars in Millions)

19. Employee Retirement and Other Postretirement Plans (continued)

Benefit payments, net of participant contributions, are expected to be paid as follows:

	Pension Plan	Health and Welfare Plan
2016	$ 128.2	$ 2.9
2017	135.3	2.9
2018	144.1	2.8
2019	152.3	2.7
2020	162.1	2.6
2021–2025	908.6	11.7

20. Business Combination

On July 1, 2015, Health Services purchased an additional 45% ownership interest in Amerinet, Inc. (doing business as Intalere), a healthcare group purchasing organization. Prior to the acquisition date, Health Services owned 50% of Intalere. Pursuant to the terms of the merger agreement, Health Services acquired an additional controlling ownership interest in Intalere for cash consideration of $86.0, comprised of a $65.0 cash payment and the issuance of $21.0 in notes payable. This strategic acquisition was made to increase Health Services' supply-chain efficiencies and to enhance Intalere's services.

The following table summarizes the estimated fair values of the assets and liabilities of Intalere as of July 1, 2015:

Current assets	$ 59.9
Property and equipment	3.3
Other assets	150.8
Current liabilities	(31.2)
Other liabilities	(39.8)
Fair value of assets and liabilities	$ 143.0

20. Business Combination (continued)

Subsequent to the acquisition date, Intalere's revenues, included in other revenues in the consolidated statements of operations and changes in net assets, and earnings, included in excess of revenues over expenses, were $35.6 and $2.3, respectively, for the six months ended December 31, 2015.

21. Subsequent Events

The Company evaluated subsequent events through March 11, 2016, the date the consolidated financial statements were issued, and determined that no additional disclosures were necessary.