This document is dated May 20, 2016.

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

SSM HEALTH (SSMH)

Management Discussion and Analysis (MD&A)

concerning the

Consolidated Financial Statements for the Three Months ended March 31, 2016

SSMHealth

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Report for the Period Ended March 31, 2016

I. Organization

SSM Health (SSMH) is a centrally managed, multi-institutional health care system with its headquarters in St. Louis, Missouri. SSMH is sponsored by SSM Health Ministries which is an 8-member body comprised of three Franciscan Sisters of Mary (FSM) and five lay people who collectively hold certain powers over SSMH. The health care activities of FSM date back to 1872 when the founder and four other sisters arrived in St. Louis from Germany, committed to serve the sick that were poor and to provide health care for all.

SSMH is an integrated delivery network organized into three business units – Hospital Operations; Physician, Ambulatory and Post-Acute Services; and Health Care Delivery, Finance and Integration Services.

The Hospital Operations division owns and operates 20 hospital locations in Missouri, Illinois, Oklahoma and Wisconsin. With over 8,500 medical staff and 4,500 licensed beds, SSMH facilities provide a wide range of inpatient and outpatient services, including general acute, trauma, emergency and urgent care, and pediatrics. In addition to its owned sites, SSMH manages one hospital, has minority ownership interests in four hospitals, and has additional affiliations with 39 rural hospitals.

The Physician, Ambulatory and Post-Acute Services division includes professional clinical services of 1,300 employed and contracted physicians, and related services including ambulatory surgery, imaging and other diagnostic services. The division also includes the post-acute group, which includes home health, hospice, skilled nursing care and rehabilitation services.

The Health Care Delivery, Finance and Integration Services division includes Dean Health Plan (DHP), which serves approximately 421,000 members in South Central Wisconsin, and Navitus, Inc., a pharmacy benefit management company that has approximately 4.5 million covered lives in approximately 34 states. Additionally, the division is leading value-based care expansion across SSMH's markets through a variety of service offerings that include health improvement, bundled payment, shared savings, and risk transfer mechanisms.

On September 1, 2015, St. Louis University (SLU) Hospital became part of SSM Health St. Louis. St. Louis University purchased SLU Hospital from Tenet Healthcare and contributed it to SSM Health St. Louis in exchange for a minority membership interest. The hospital, which was renamed SSM Health Saint Louis University Hospital (SSM-SLUH), is a 356-bed academic teaching hospital and is a Level I Trauma Center, certified in both Missouri and Illinois. This new integrated partnership will provide the St. Louis community with more coordinated access to the compassionate high-quality care for which SSM Health is known. As part of the purchase agreement, SSMH committed to replace the hospital and outpatient care center (at a cost not to exceed $500 million) within five years from the date of purchase.

II. Mission

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

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

III. Overview

This MD&A report is provided to give management’s view of key factors underlying SSMH’s financial performance and position as of and for the three months ended March 31, 2016. The report also includes an update on capital and debt as of March 31, 2016. Unless otherwise stated, financial results are described in $ thousands and relate to the period ended March 31, 2016 and 2015.

For the period ended March 31, 2016, operating income was $46.9 million and excess revenue (before the change in market value of interest rate swaps and income taxes) was $66.7 million. For detailed financial results please refer to the financial statements included with the March 31, 2016 compliance posting.

IV. 2016 Operating Results

A. **Operating Income:** The System’s operating income of $46.9 million (3.1% margin) was $6.8 million below 2015 results. Operating EBIDA totaled $125.7 million (8.4% margin) for the period ended March 31, 2016 as compared to $125.8 million (9.8% margin) for the period ended March 31, 2015. Total revenues increased by $213.8 million (16.7%) to $1,496.2 million, of which $117.4 million was attributable to the addition of SSM-SLUH to the system. Net patient service revenue of $1,059.7 million was $174.7 million (19.7%) higher than 2015 results while premium revenue of $366.5 million through DHP and Navitus increased by $39.7 million (12.1%) from 2015. Operating expenses (including depreciation and amortization) increased by 18.0% over 2015 which was the result of organic growth as well as new initiatives. Management will continue ongoing cost reduction programs and revenue cycle improvements as well as integration and optimization of acquisitions in order to enhance operating margins.

B. **Non-Operating Gains and (Losses):** For the period ended March 31, 2016, net non-operating income was $19.7 million, which was $14.8 million below 2015 results. This decrease is attributed to lower investment returns. The investment returns, negative SWAP mark-to-mark adjustments of $33.1 million, plus operating income results led to excess revenue before taxes of $33.5 million, a decrease of $30.5 million from 2015.

V. 2016 Financial Position

A. Key Balance Sheet Ratios:

SSMH's unrestricted cash position decreased by $2.3 million from March 31, 2015. Days Cash on Hand decreased to 164 days at 3/31/16, down twenty five days from the prior year, primarily driven by increased expenses resulting from growth and acquisitions. Net patient accounts receivable increased by $152.2 million; of this, $79.3 million was attributable to the new hospital acquisition while the remainder resulted from increased patient service revenue. Total unrestricted net assets increased to $2,090.6 million at 3/31/16 from $1,845.0 million at 3/31/15. This increase is the result of operating gains and the SLU hospital acquisition, offset by actuarial losses on the defined benefit plans.

Table 1 – Summary of Key Liquidity Ratios

	March 31, 2016	March 31, 2015	Variance
Unrestricted Cash ($ millions) [1]	$2,097.3	$2,099.6	-0.1%
Net Patient AR ($ millions)	616.2	464.0	32.8%
Unrestricted Net Assets ($ millions)	$2,090.6	1,845.0	13.3%
Days Cash on Hand [1]	164	189	-13.2%
Accounts Receivable (days)	52	47	10.6%
Debt Service Coverage[2]	7.4	8.6	-14.0%
MADS Coverage [3]	4.5	5.4	-16.7%
Debt to Capitalization	48.7	52.4	-7.1%
Debt to Cash Flow	3.5	3.2	9.4%
Cushion Ratio (X)	26.1	26.6	-1.9%
Current Ratio	0.8	0.7	14.3%

[1] Exclusive of DHP unrestricted cash and investments of $256.9 million. Based on rolling 12-months of expenses.

[2] Debt Service Coverage Calculation does not include unrealized gain/(loss) on investments

[3] MADS Coverage based on 12 months ended March 31, 2016 & 2015

B. Investments:

Through March 31, 2016, investment income of $20.1 million (operating and non-operating) was $23.2 million lower than investment income recognized in the period ended March 31, 2015. The decrease in investment income is largely attributed to the investment portfolio composite year to date gains (excluding pension investments) of 1.1% at March 31, 2016 (+4.5% annualized return since inception) compared to 2.1% at March 31, 2015 (+4.9% annualized return since inception).

A comparison of the results for 2016 and 2015 is listed in Table 2. This table also includes a breakout of 2016 investment gains (losses) by income recognition (realized and unrealized), income segment (operating and non-operating), and the amounts attributed to interest and dividend earnings.

Table 2 – Summary of Investment Income
($ in millions)

a. 2016 - 2015 Comparisons	2016	2015
Interest, dividends and realized gains, net	$11.7	$14.5
Change in unrestricted unrealized gains	8.4	28.8
Total investment income	$20.1	$43.3

b. 2016 Sources

Investment Gain (Loss) Classification	Interest & Dividends	Realized Gain	Unrealized Gain/(Loss)	Total
Operating	$2.0	$0.8	($2.4)	$0.4
Non-operating	6.4	2.5	10.8	19.7
Total	$8.4	$3.3	$8.4	$20.1

C. Debt Structure

At March 31, 2016, SSMH's total debt (Table 3), excluding commercial paper and lines of credit, decreased by $55.9 million from March 31, 2015. This reduction resulted primarily from the following activity during the twelve months ended March 31, 2016:

- On January 4, 2016, SSMH completed the partial redemption of $1.1 million of the Series 2014 A & K, 2012 B, and 2010 B bonds.
- On August 18, 2015, SSMH completed the partial redemption of $22.5 million of the Series 2010 A & B 4.75% bonds by drawing $22.3 million on its line of credit. As part of the transaction, SSMH purchased, in lieu of redemption, $170 thousand of the 2010 B bonds. The redeemed proceeds were subsequently refinanced as part of the October 13, 2015 taxable commercial paper registration.
- SSMH funded scheduled payments of $32.3 million.

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

SSMH utilizes lines of credit for general corporate purposes. On February 28, 2014, SSMH entered into a $150.0 million revolving line of credit agreement. The line is secured under SSMH's existing Master Trust Indenture. At March 31, 2016, SSMH had no outstanding borrowings on this line. On April 22, 2016, SSMH expanded the general corporate purposes line of credit to $500 million to provide additional balance sheet liquidity support.

On October 13, 2015, SSMH increased the size of the shelf registration of its taxable Commercial Paper Notes Series A to $400.0 million and issued $150.0 million under the new shelf registration. The proceeds were used to reduce the amount outstanding on the line of credit, refinance the partial redemption of the 2010 A & B bonds and add $27.7 million to unrestricted cash and investments. SSMH's commercial paper has historically traded below LIBOR and has broadened the investor base for SSMH beyond traditional tax exempt investors.

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

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

Table 3 – Summary of Total Debt
($ in millions)

Secured Under the Master Trust Indenture:	March 31, 2016	March 31, 2015
Fixed rate revenue bonds	$608.2	$634.5
Variable rate demand bonds	300.0	300.0
Variable rate direct loans	509.5	513.3
Auction rate bonds	78.7	101.5
Term loan	90.7	93.8
Total under Master Indenture	$1,587.1	$1,643.1
Other:		
Various notes payable and other debt	49.2	50.9
Capitalized lease obligations	24.8	23.6
Deferred financing costs	(7.1)	(7.7)
Not Secured Under Master Indenture	66.9	66.8
Total LT Debt excluding CP and LOC	$1,654.0	$1,709.9
Balance Sheet Classification:		
Total Long-Term Debt (including current portion and capital leases)	$1,354.0	$1,408.4
Total Short-Term Debt	300.0	301.5
Total Debt excluding CP and LOC	$1,654.0	$1,709.9

Derivative Instruments. SSMH utilizes interest rate swap agreements which effectively change SSMH's interest exposure on its variable debt to fixed rates. None of these swaps has been designated as hedges of the interest payment on outstanding debt obligations for accounting purposes. SSMH uses floating-to-fixed interest rate swaps to synthetically convert the majority of variable rate debt to a fixed rate. In 2014, SSMH entered into two fixed spread basis swaps totaling $130 million notional. During 2015, SSMH entered into one additional basis swap with a $65 million notional amount. Under its fixed payer interest rate swaps, SSMH receives LIBOR or a percentage of LIBOR plus a spread of 0.12% and pays a fixed rate. For the fixed spread basis swaps SSMH pays SIFMA and receives a percentage of LIBOR plus a spread. The swaps had a total notional amount of $842.2 million with a total mark-to-market value adjustment of $(177.5) million as of March 31, 2016. In the event that the mark-to-market valuation reaches a certain negative value SSMH may be required to post collateral for the benefit of the swap counterparty. Based on the current mark-to-market valuation, SSMH was required to post collateral of $8.7 million at March 31, 2016.

Table 4 – Summary of Fair Value of Derivatives

			March 31, 2016 ($ in thousands)	
	Maturity Date of Derivatives	**Fixed Rate**	**Notional Amount Outstanding**	**Fair Value**
Derivatives not designated as hedges -				
Interest rate swaps	2033 - 2044	2.82% - 5.21%	$842,200	$(177,478)

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

D. Liquidity

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

Table 5 – Liquidation Period of Unrestricted Cash

Liquidation Period	Amount ($ in millions)
T+0	$402.7
T+3	1,140.3
Monthly or Less	150.1
Quarterly or Less	204.7
Illiquid	199.5
Total	$2,097.3

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

Table 6 – Pro Forma Self Liquidity Indebtedness

	Principal Amount ($ in millions)
CP Mode VRDBs	$200.0
Weekly VRDBs	100.0
Taxable CP	350.0
Total Self-Liquidity Debt	$650.0

On April 1, 2016, SSMH issued the remaining $50.0 million of its taxable Commercial Paper capacity for a total amount outstanding of $400.0 million.

Risk Based Capital. SSMH uses Risk Based Capital (RBC) to monitor the adequacy of liquidity and capitalization of Dean Health Plan. RBC is a method of measuring the minimum amount of capital appropriate for a reporting entity to support its overall business operations in consideration of its size and risk profile. For health insurance companies, regulatory action is activated when RBC falls below 200%. The RBC statistics for DHP stood at 417.4% and 431.0% at December 31, 2015 and December 31, 2014, respectively (RBC is reported on an annual basis).

E. **Capital Planning**

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

Planned capital expenditure investments for SSMH include physician alignment, outpatient expansion, routine equipment replacement, significant infrastructure replacement, and adoption of new technologies. As of January 1, 2016, SSMH had approved capital projects with remaining balances aggregating to $465.9 million, most of which are expected to be substantially completed in 2016 and 2017. During the first quarter of 2016, SSMH had capital expenditures of approximately $81.9 million.

APPENDIX 1

KEY OPERATIONAL STATISTICS

Statistics	Period Ended 3/31/2016	Period Ended 3/31/2015	2016 vs 2015 $ Variance	2016 vs 2015 % Change
Acute Admissions	44,635	40,227	4,408	11.0%
CMI* Adjusted Admissions	152,736	128,710	24,026	18.7%
Adjusted Patient Days	464,449	417,810	46,639	11.2%
Inpatient Surgeries	9,361	8,290	1,071	12.9%
Outpatient Surgeries	16,747	15,417	1,330	8.6%
Outpatient Visits	389,539	359,714	29,825	8.3%
Emergency Visits	197,403	177,959	19,444	10.9%

* CMI – Case Mix Index

APPENDIX 2

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

	Period Ended 3/31/2016	Period Ended 3/31/2015	2016 vs 2015 $ Variance	2016 vs 2015 % Change
Operating EBIDA	$125,663	$125,832	($169)	-0.1%
Excess EBIDA	$145,257	$159,850	($14,593)	-9.1%
Operating EBIDA %	8.4%	9.8%		
Excess EBIDA %	9.6%	12.1%		