SSM Health

Consolidated Financial Statements as of and for the Years Ended December 31, 2015 and 2014, Additional Information as of and for the Years Ended December 31, 2015 and 2014, and Independent Auditors' Report

SSM HEALTH

TABLE OF CONTENTS

Deloitte & Touche LLP
Suite 300
100 South 4th Street
St. Louis, MO 63102-1821
USA

Tel: +1 314 342 4900
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of SSM Health Care Corporation and its subsidiaries (doing business as SSM Health) (SSMH), which comprise the consolidated balance sheets as of December 31, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to SSMH's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SSMH's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SSMH as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information on pages 52–57 is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies and is not a required part of the consolidated financial statements. This supplementary information is the responsibility of SSMH's management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Deloitte + Touche LLP

March 29, 2016

SSM HEALTH

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2015 AND 2014
(In thousands)

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 86,811	$ 95,559
Investments	52,900	142,664
Current portion of assets limited as to use	387,390	215,353
Patient accounts receivable—less allowance for uncollectible accounts of $131,566 in 2015 and $123,002 in 2014	575,601	472,546
Premium receivable—less allowance for uncollectible accounts of $1,000 in 2015 and 2014	6,301	7,334
Other receivables	262,183	185,881
Inventories, prepaid expenses, and other	130,231	107,945
Estimated third-party payor settlements	23,856	9,991
Total current assets	1,525,273	1,237,273
ASSETS LIMITED AS TO USE OR RESTRICTED—Excluding current portion	2,312,289	2,341,223
PROPERTY AND EQUIPMENT—Net	2,111,632	1,936,037
OTHER ASSETS:		
Deferred financing costs—net of accumulated amortization of $2,435 in 2015 and $2,200 in 2014	7,331	7,886
Goodwill	107,230	112,431
Intangible assets—net	268,394	285,113
Investments in unconsolidated entities	89,697	78,377
Other	11,413	8,497
Total other assets	484,065	492,304
TOTAL	$6,433,259	$6,006,837
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Revolving line of credit	$ 152	$ 100,188
Current portion of long-term debt and capital lease obligations	34,981	35,337
Accounts payable, accrued expenses, and other current liabilities	931,520	786,816
Commercial paper	349,937	199,937
Short-term borrowings	300,000	300,000
Unearned premiums	29,573	19,084
Payable under securities lending agreements	119,711	126,270
Estimated third-party payor settlements	128,630	115,003
Total current liabilities	1,894,504	1,682,635
LONG-TERM DEBT—Excluding current portion	1,304,846	1,362,076
ESTIMATED SELF-INSURANCE OBLIGATIONS	97,271	82,596
CAPITAL LEASE OBLIGATIONS—Excluding current portion	23,430	22,940
PENSION LIABILITY	687,327	717,619
OTHER LIABILITIES	289,102	289,198
Total liabilities	4,296,480	4,157,064
NET ASSETS:		
Unrestricted:		
Noncontrolling interest in subsidiaries	153,620	21,307
SSM Health unrestricted net assets	1,903,755	1,760,937
Total unrestricted net assets	2,057,375	1,782,244
Temporarily restricted	53,667	42,025
Permanently restricted	25,737	25,504
Total net assets	2,136,779	1,849,773
TOTAL	$6,433,259	$6,006,837

See notes to consolidated financial statements.

SSM HEALTH

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In thousands)

	2015	2014
OPERATING REVENUES AND OTHER SUPPORT:		
Net patient service revenues before provision for uncollectible accounts	$ 4,011,542	$ 3,562,531
Less provision for uncollectible accounts	(209,475)	(201,389)
Net patient service revenues	3,802,067	3,361,142
Premiums earned	1,258,226	1,193,207
Investment income	3,299	49,984
Income from unconsolidated entities—net	18,836	21,881
Other revenue	371,137	264,318
Net assets released from restrictions	5,738	5,204
Total operating revenues and other support	5,459,303	4,895,736
OPERATING EXPENSES:		
Salaries and benefits	2,434,197	2,260,059
Curtailment gain on pension plans	(99,554)	
Medical claims	528,872	463,804
Supplies	918,425	718,865
Professional fees and other	1,134,493	1,006,642
Interest	54,901	52,746
Depreciation and amortization	244,992	228,819
Impairment loss	13,246	18,322
Total operating expenses	5,229,572	4,749,257
INCOME FROM OPERATIONS	229,731	146,479
NONOPERATING (LOSSES) AND GAINS:		
Investment (loss) income	(20,472)	60,625
Loss from early extinguishment of debt	-	(2,316)
Other—net	673	497
Total nonoperating (losses) gains—net	(19,799)	58,806
EXCESS OF REVENUES OVER EXPENSES BEFORE CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS AND INCOME TAXES	209,932	205,285
CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS	(1,402)	(56,995)
EXCESS OF REVENUES OVER EXPENSES BEFORE INCOME TAXES	208,530	148,290
INCOME TAX EXPENSE	2,365	937
EXCESS OF REVENUES OVER EXPENSES	206,165	147,353
EXCESS OF REVENUES OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	8,025	4,897
EXCESS OF REVENUES OVER EXPENSES—Net of noncontrolling interest	$ 198,140	$ 142,456

(Continued)

SSM HEALTH

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In thousands)

	2015	2014
UNRESTRICTED NET ASSETS:		
Excess of revenues over expenses	$ 206,165	$ 147,353
Pension-related changes other than net periodic pension cost	(70,443)	(265,456)
Net assets released from restrictions for property acquisitions	16,250	2,311
Distributions to noncontrolling owners	(4,412)	(3,913)
Noncontrolling interest related to acquisition	128,700	-
Other—net	(1,129)	(492)
Increase (decrease) in unrestricted net assets	275,131	(120,197)
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions for charity care, property acquisitions, and other programs	33,594	7,136
(Losses) gains on investments—net	(297)	1,578
Net assets released from restrictions for operations	(5,738)	(5,204)
Net assets released from restrictions for property acquisitions	(16,250)	(2,311)
Other—net	333	(1,930)
Increase (decrease) in temporarily restricted net assets	11,642	(731)
PERMANENTLY RESTRICTED NET ASSETS:		
Contributions for charity care and other programs	427	827
(Losses) gains on investments—net	(183)	419
Other—net	(11)	1,971
Increase in permanently restricted net assets	233	3,217
CHANGE IN NET ASSETS	287,006	(117,711)
NET ASSETS—Beginning of year	1,849,773	1,967,484
NET ASSETS—End of year	$ 2,136,779	$ 1,849,773

See notes to consolidated financial statements. (Concluded)

SSM HEALTH

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 287,006	$ (117,711)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	-	-
Noncontrolling interest related to acquisition	(128,700)	-
Pension-related changes other than net periodic pension cost	70,443	265,456
Curtailment gain on pension plans	(99,554)	-
Depreciation and amortization	244,992	228,819
Loss on early extinguishment of debt	-	2,316
Impairment loss	13,246	18,322
Provision for uncollectible accounts and bad debts	211,435	206,462
Contributions restricted for long-term investment	(25,715)	(1,190)
Distributions to noncontrolling owners—net	4,412	3,913
Gains and losses on investments—net	52,311	(78,986)
Equity in earnings of unconsolidated entities	(18,836)	(21,881)
Change in valuation of investments in unconsolidated entities	-	328
Change in fair value of interest rate swaps	1,402	56,995
(Gain) loss on disposal of assets	(17,603)	576
Distributions from unconsolidated entities	18,756	-
Changes in assets and liabilities:		
Investments	89,764	12,980
Patient accounts receivable	(312,530)	(146,029)
Premiums receivable	1,033	(669)
Other receivables, inventories, prepaid expenses, and other	(107,922)	(86,828)
Accounts payable, accrued expenses, and other liabilities	145,113	60,055
Other changes to pension liability	(1,542)	(212,014)
Estimated self-insurance obligations	19,002	14,863
Net cash provided by operating activities	446,513	205,777
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(265,866)	(250,373)
Proceeds from disposal of property and equipment	19,344	2,098
Purchase of assets limited as to use or restricted	(5,338,256)	(3,837,993)
Proceeds from sales of assets limited as to use or restricted	5,135,510	3,742,026
Contributions to unconsolidated entities	(613)	(114)
Distributions from unconsolidated entities	-	11,047
Acquisition of hospitals and health care entities—net of cash received	6,841	(466)
Purchases of other assets	(27,937)	(25,331)
Proceeds from sales of other assets	-	30,945
Net cash used in investing activities	(470,977)	(328,161)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	-	589,810
Payments on long-term debt	(60,169)	(557,740)
Debt issuance costs	-	(4,474)
Contributions restricted for long-term investment	25,715	1,190
Distributions to noncontrolling owners	(4,412)	(3,913)
Payments on notes payable	-	(400,000)
Proceeds from patient loans	12,324	12,381
Payments on patient loans	(7,706)	(2,386)
Proceeds from short-term borrowings and commercial paper	150,000	499,937
Proceeds from revolving line of credit	22,280	202,000
Payments on revolving line of credit	(122,316)	(187,037)
Net cash provided by financing activities	15,716	149,768
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(8,748)	27,384
CASH AND CASH EQUIVALENTS—Beginning of year	95,559	68,175
CASH AND CASH EQUIVALENTS—End of year	$ 86,811	$ 95,559

See notes to consolidated financial statements.

1. ORGANIZATION

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

SSMHCC and most of its affiliated subsidiary corporations are organizations described in Section 501(c)(3) of the Internal Revenue Code (IRC). As such, they are exempt from federal income tax on income from activities related to their exempt purposes under IRC Section 501(a). Certain subsidiaries of SSMH are for-profit entities that are taxable under the IRC.

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

2. SSMH SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation—The consolidated financial statements include the accounts of SSMHCC and all wholly owned, majority owned, and controlled entities, including the consolidated statements of SSMH Liability Trust I and SSMH Liability Trust II as described in Note 14. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents—Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less when purchased. The carrying amounts reported in the consolidated balance sheets approximate their fair value.

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

Financial Instruments—Management's estimates of the fair value of financial instruments are described elsewhere in the notes to the consolidated financial statements. Investments reported as assets that are designated as limited as to use or restricted, investments, and interest rate swaps are measured at fair value as described in Note 7. Long-term debt fair value is disclosed in Note 12. Due to the volatility of the US economy and the financial markets, there is uncertainty regarding the long-term impact market conditions will have on SSMH's investment portfolio.

Patient Accounts Receivable—Patient accounts receivable are stated at estimated net realizable amounts from patients, third-party payors, and other insurers for services provided. Management periodically reviews the adequacy of the allowance for uncollectible accounts based on historical experience, trends in health care coverage, and other collection indicators.

SSMH's mission is to provide exceptional health care services to all persons regardless of their ability to pay. After all payments, discounts, and reasonable collection efforts have been exhausted, SSMH follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by SSMH. Accounts placed with collection agencies are written off and excluded from patient accounts receivable and allowance for uncollectible accounts.

During 2014, SSMH entered into a contractual agreement with a third-party bank to provide interest-free loans to SSMH's patients. This arrangement provides for the full recourse purchase of qualifying patient liability accounts receivable balances by the bank, for a nominal fee to SSMH. The bank enters into a loan agreement with the patient and proceeds to bill and collect payments from the patient. If the patient defaults on the loan agreement or the loan meets certain other criteria, the bank will request repayment of the remaining loan balance from SSMH. Because SSMH is responsible for the repayment of the full amount of the patient loan balance under certain circumstances, an obligation is recorded in current liabilities and a corresponding current receivable is recorded. The outstanding loan balance under this agreement was $14,613 and $9,995 at December 31, 2015 and 2014, respectively, which is included in accounts payable, accrued expenses, and other current liabilities. The corresponding receivable is included in other receivables.

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

Premium Receivable and Unearned Premiums—Premiums are recognized in the period for which services are covered. Premium receivable include amounts due from subscriber groups for premiums. Premiums billed and due in advance of a coverage period are included in unearned premiums.

Inventories—Inventories are stated at the lower of cost or market. Cost is determined principally using the first-in, first-out method. Supplies and pharmaceuticals are expensed when they are distributed for use. SSMH held inventories in the amount of $85,627 and $72,010 at December 31, 2015 and 2014, respectively. These amounts are included in inventories, prepaid expenses, and other.

Estimated Third-Party Payor Receivable and Payable Settlements—SSMH has agreements with payors that provide for payments at amounts different from established charges. The basis for payment under these agreements includes prospectively determined rates, cost reimbursement, and negotiated discounts from established charges. These estimated amounts are subject to further adjustments upon review by third-party payors.

As of December 31, 2015 and 2014, $57,982 and $61,244, respectively, is included in estimated third-party settlement payables related to an adverse ruling by Centers for Medicare and Medicaid Services (CMS) in 2013 requiring repayment of certain amounts previously paid to SSMH through Medicare.

Assets Limited as to use or Restricted—Assets limited as to use include investments and other assets set aside by the Board of Directors or management at their discretion for future capital improvements, medical insurance claims or for other purposes, and assets held in trust under bond indentures and self-insurance agreements. Assets restricted as to use include investments and other assets whose use is restricted by donors (temporarily or permanently).

Pooled Investments—SSMH holds the majority of its investments in a pooled investment program, which also includes the investments of its defined benefit plans as well as other smaller nonconsolidated entities. The earnings are allocated proportionately according to ownership percentages as defined in pooled investment agreements. The combined investments of SSMH and its defined benefit plans account for over 99 percent of the pooled investments.

SSMH has elected the fair value option for financial investments in limited partnerships and limited liability corporations made through its centralized investment program that would otherwise be recorded using either the cost or equity methods. SSMH made this election in order to ensure that the accounting treatment of these investments was comparable between categories, regardless of the current organizational structure of the various investments. Interest and dividend income on investments for which the fair value option has been elected is included in either nonoperating investment income or other operating revenue depending on various factors as described in SSMH's investment income accounting policy below.

Derivative Instruments—It is SSMH's policy to provide sound stewardship of fiscal resources by effectively managing both the level of outstanding debt and the proportion of variable to fixed rate debt. Accordingly, SSMH periodically enters into derivative arrangements to manage interest rate risk related to variable rate debt.

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

The net change in the fair value is recorded as a nonoperating gain or loss. The difference between the actual amount paid and the actual amount received on all interest rate swaps is accrued and recognized as an adjustment to interest expense.

Securities Lending Program—SSMH participates in securities lending transactions with its custodian whereby SSMH lends a portion of its investments to various brokers in exchange for collateral for the securities loaned, usually on a short-term basis. SSMH maintains effective control of the loaned securities through its custodian during the term of the arrangement in that they may be recalled at any time. Collateral received from brokers must equal at least 102 percent of the original market value of the securities on loan, and is subsequently adjusted for market fluctuations. SSMH must return to the borrower the original value of collateral received regardless of the impact of market fluctuations. All collateral is in the form of cash or securities, which can be re-invested in a pool maintained by the custodian. Under the terms of the agreement, the borrower must return the same, or substantially the same, investments that were borrowed.

The securities on loan under this program are recorded as assets whose use is limited. The market value of collateral held for loaned securities is reported as collateral held under a securities lending program, which is recorded in assets whose use is limited, and an obligation is recorded in current liabilities for repayment of collateral upon settlement of the lending transaction. The fees received for these transactions are recorded in investment income.

Property and Equipment—Property and equipment acquisitions are recorded at cost or, if donated or impaired, at fair value at the date of receipt or impairment. Depreciation expense is determined using the straight-line method over the estimated useful life of the asset: 5 to 25 years for land improvements, 5 to 40 years for buildings, and 3 to 20 years for equipment. Equipment under capital leases is amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization expense. Interest costs incurred on borrowed funds during construction periods are capitalized as a component of the asset cost.

SSMH periodically evaluates property and equipment to determine whether assets may have been impaired. The evaluations address the estimated recoverability of the assets' carrying value. Such analyses require various valuation techniques using management assumptions, including estimates of future cash flows.

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

Goodwill—Goodwill represents the future economic benefits arising from assets acquired in business combinations that are not individually identified and separately recognized. Goodwill is evaluated for possible impairment at the reporting unit level at least annually or whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Fair value of a reporting unit is estimated using a combination of income-based and market-based valuation methodologies. An impairment is recorded if the carrying value of the goodwill exceeds its implied fair value.

Intangible Assets—Intangible assets include capitalized computer software costs, tradenames, noncompete agreements, and other intangible assets acquired from independent parties. Intangible assets with a definite life are amortized on a straight-line basis, with estimated useful lives ranging from one to 20 years. Amortization of intangible assets is included in depreciation and amortization expense. SSMH reviews the carrying value of its amortizable intangible assets only when impairment indicators are present. SSMH evaluates intangible assets for impairment by comparing the estimates of undiscounted future cash flows to the carrying values of the related assets. Indefinite-lived intangible assets are evaluated for possible impairment at least annually or whenever events or changes in circumstances indicate the asset might be impaired. There were no impairments identified during 2015 or 2014.

Software Costs—Capitalized computer software costs include internally developed software. Costs incurred in developing and installing internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or postimplementation stage. Capitalized software costs and related accumulated amortization expenses are included in net intangible assets.

Investments in Unconsolidated Entities—Investments in unconsolidated entities, other than limited partnerships and limited liability corporations in the pooled investment program, are accounted for under the cost or equity method of accounting, as appropriate. SSMH utilizes the equity method of accounting for its investments in unconsolidated entities over which it exercises significant influence. SSMH evaluates these investments for other-than-temporary impairment in accordance with accounting standards for equity method investments.

Pension Liability—Pension liability represents the value of the projected benefit obligation of SSMH's pension plans over the fair value of the plans' assets. The pension plan obligations and plan assets are measured as of December 31. In 2015, SSMH recorded $70,443 to increase its pension liability and decrease unrestricted net assets. The loss was a result of lower-than-anticipated investment returns in 2015 and amendments to the pension plans adopted in 2015. The plan amendments resulted in the recognition of a curtailment gain during the year ended December 31, 2015, as described in Note 13. In 2014, SSMH recorded $265,456 to increase its pension liability and decrease unrestricted net assets. The loss was a result of revised actuarial mortality tables, lower than anticipated investment returns in 2014, and lower discount rates.

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

Temporarily and Permanently Restricted Net Assets—Temporarily restricted net assets are those whose use by SSMH has been limited by donors to a specific time period or purpose. These assets are restricted for funding a specific program, capital projects, and other purposes. Permanently restricted net assets have been restricted by donors to be maintained by SSMH in perpetuity. They are generally restricted to provide ongoing income for a specific program.

Noncontrolling Interests—The consolidated financial statements include all assets, liabilities, revenue, and expenses of less than 100 percent owned or controlled entities that SSMH controls in accordance with applicable accounting guidance. Accordingly, SSMH has reflected a noncontrolling interest for the portion of net assets not owned or controlled by SSMH separately on the consolidated balance sheets.

Net Patient Service Revenues—SSMH recognizes net patient service revenue before provision for uncollectible accounts in the period in which services are provided. SSMH has agreements with payors that provide for payments at amounts different from established charges. The basis for payment under these agreements includes prospectively determined rates, cost reimbursement, and negotiated discounts from established charges.

Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments due to future audits, reviews, and investigations. The differences between the estimated and actual adjustments are recorded as part of net patient service revenues in future periods, as the amounts become known, or as years are no longer subject to such audits, reviews, and investigations.

Premiums Earned—SSMH receives capitation insurance premiums based on the demographic characteristics of covered members in exchange for providing comprehensive medical services for those members. SSMH recorded capitated revenue of $1,165,955 and $1,193,207 for the years ended December 31, 2015 and 2014, respectively. Capitation revenue is included in premiums earned. Premiums earned also include administration fees recognized on a per-member, per-month basis earned by Navitus.

Medical Claims—Medical claims consist of payments to health care providers and are accrued as of the date of service and reported net of recoveries of $53,294 and $40,528 for the years ended December 31, 2015 and 2014, respectively. Recoveries consist mainly of drug company volume discounts, CMS risk-sharing and subsidies and reinsurance.

Changes in estimates of claims costs resulting from an ongoing review process and differences between estimates and payments for claims are recognized in the period in which the change in estimate is identified or payments are made. The liability for unpaid medical claims for medical services purchased, which is included in accounts payable, is based on known amounts of reported claims and an estimate of incurred but not reported claims using past experience adjusted for current trends.

Investment Income—Most investment income is reported as nonoperating gains or losses. Investment income on funds held in trust for self-insurance purposes, funds held for insurance and pharmacy benefit purposes, and unrestricted funds held by foundations is included in operating investment income. The cost of investments sold is based on the specific-identification method.

Investment income on investments of donor-restricted funds, other than endowments, is included in excess of revenues over expenses unless the income or loss is restricted by donors. Investment income that is restricted by the donor is recorded directly to temporarily or permanently restricted net assets, in accordance with the donor-imposed restrictions.

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

SSMH classifies its debt and equity securities as trading securities. Changes in the fair values of trading securities are recorded in the excess of revenues over expenses.

The change in unrealized gains and losses on investments recorded as a change in unrestricted net assets includes the unrealized gains or losses related to investments available for sale in unconsolidated entities.

SSMH reports investment income net of investment fees paid. Investment fees totaled $8,525 and $7,003 for the years ended December 31, 2015 and 2014, respectively.

Contributions—Contributions, including unconditional promises to give, are recognized at their fair value at the time of receipt. For financial reporting purposes, SSMH distinguishes between contributions that are unrestricted, temporarily restricted, or permanently restricted based on the restrictions placed on their use by the donors. Contributions restricted for additions to property and equipment are recorded as temporarily restricted assets. When the restrictions have been met, these temporarily restricted contributions are recorded as net assets released from restrictions for property acquisitions. Contributions temporarily restricted for other purposes are reported as temporarily restricted contributions if the restrictions are not met in the same reporting period. When such donor-imposed restrictions are met in subsequent reporting periods, they are reported as net assets released from restrictions and an increase to unrestricted net assets. Contributions of assets that donors have stipulated must be maintained permanently, with only the income earned thereon available for use, are classified as permanently restricted assets. Contributions for which donors have not stipulated restrictions are reported as other revenue.

Endowment assets include donor-restricted funds that SSMH must hold in perpetuity or for a donor-specified period. SSMH preserves the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. SSMH classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and, if applicable, (c) accumulations to the permanent endowment made in accordance with specific donor instructions. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the SSMH entity that received the donation. SSMH considers the following factors in making determinations to appropriate or accumulate donor-restricted endowment funds:

a. State law
b. The duration and preservation of the fund
c. The purposes of the donor-restricted endowment funds and how they relate to SSMH's priorities for carrying out its mission within the communities it serves
d. General economic conditions
e. The possible effects of inflation and deflation
f. The expected total return from income and the appreciation of investments
g. Other resources available to the entity and its beneficiary, if applicable
h. The investment policies of the entity

Electronic Health Record Incentives—Under certain provisions of the American Recovery and Reinvestment Act of 2009 (ARRA), federal incentive payments are available to hospitals, physicians, and certain other professionals ("Providers") when they adopt, implement, or upgrade (AIU) certified electronic health record (EHR) technology or become "meaningful users," as defined under ARRA, of EHR technology in ways that demonstrate improved quality, safety, and effectiveness of care. Providers can become eligible for annual Medicare incentive payments by demonstrating meaningful use of EHR technology in each period over four periods. Medicaid providers can receive their initial incentive payment by satisfying AIU criteria, but must demonstrate meaningful use of EHR technology in subsequent years in order to qualify for additional payments. Hospitals may be eligible for both Medicare and Medicaid EHR incentive payments; however, physicians and other professionals may be eligible for either Medicare or Medicaid incentive payments, but not both. Hospitals that are meaningful users under the Medicare EHR incentive payment program are deemed meaningful users under the Medicaid EHR incentive payment program and do not need to meet additional criteria imposed by a state. Medicaid EHR incentive payments to Providers are 100 percent federally funded and administered by the states. CMS established calendar year 2011 as the first year states could offer EHR incentive payments. Before a state may offer EHR incentive payments, the state must submit and CMS must approve the state's incentive plan.

SSMH recognizes Medicaid EHR incentive payments in its consolidated statements of operations for the first payment year when (1) CMS approves a state's EHR incentive plan; and (2) its hospital or employed physician acquires certified EHR. Medicare and Medicaid EHR incentive payments for subsequent payment years are recognized in the period during which the specified meaningful use criteria are met. SSMH recognizes Medicare EHR incentive when (1) the specified meaningful use criteria are met; and (2) contingencies in estimating the amount of the incentive payments to be received are resolved. During the years ended December 31, 2015 and 2014, certain of SSMH's entities satisfied the CMS AIU and/or meaningful use criteria. As a result, SSMH recognized approximately $3,593 and $7,044 of Medicaid EHR incentive payments as other revenue for the years ended December 31, 2015 and 2014, respectively. SSMH recognized $16,706 and $24,166 of Medicare EHR incentive payments as other revenue for the years ended December 31, 2015 and 2014, respectively. SSMH recorded $38 and $14,963 of Medicare EHR as deferred revenue at December 31, 2015 and 2014, respectively.

Performance Indicator—The consolidated statements of operations and changes in net assets include excess of revenues over expenses as SSMH's performance indicator. Changes in unrestricted net assets that are excluded from excess of revenues over expenses, consistent with industry practice, include: changes in unrealized gains and losses on investments related to available for sale investments held by unconsolidated entities; permanent transfers of assets to and from affiliates for other than goods and services; contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for the purpose of acquiring such assets); distributions to noncontrolling owners; and pension-related changes other than the net periodic pension cost.

Consolidated Statements of Operations—For the purpose of display, transactions deemed by management to be ongoing, major, or central to the provision of health care and related services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

Advertising Costs—SSMH expenses advertising costs as they are incurred. Advertising expenses were $17,956 and $18,733 for the years ended December 31, 2015 and 2014, respectively, and are included in professional fees and other.

Income Taxes—SSMH has established its status as an organization exempt from income taxes under IRC Section 501(c)(3) and the laws of the states in which it operates, and as such, is generally not subject to federal or state income taxes. However, SSMH is subject to income taxes on net income derived from a trade or business, regularly carried on, which does not further the organization's exempt purpose. No significant income tax provisions have been recorded in the financial statements for net income, if any, derived from any unrelated business or investment income as management has determined that such amounts are not material to the consolidated financial statements as a whole.

SSMH's for-profit subsidiaries account for income taxes related to their operations. The for-profit subsidiaries recognize deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of their assets and liabilities along with net operating losses that meet the more likely than not recognition criteria. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Penalties and interest incurred on income tax liabilities are included in income tax expense.

SSMH evaluates its uncertain tax positions on an annual basis. A tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. There have been no uncertain tax positions recorded in 2015 or 2014.

Use of Estimates—The preparation of the consolidated financial statements in conformity with US generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Estimates can significantly impact the following balances reported on the consolidated balance sheets: assets limited as to use, allowances for uncollectible accounts receivable, estimated third-party payor settlements, goodwill and net intangible assets, self-insurance obligations, pension liability, medical claims payable, and other liabilities. Actual results could differ from those estimates.

Non-Cash Transactions—During the years ended December 31, 2015 and 2014, SSMH had the following non-cash transactions:

	2015	2014
Collateral received under securities lending program	$ 6,559	$ 81,075
Property and equipment purchases included in accounts payable	20,977	17,080
Acquisition of health care entities included in other liabilities	-	2,329
Capital leases	-	187
Acquisition of hospital and health care entities	136,745	-

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

SSMH has recorded receivables and payables based on estimates determined in accordance with the ACA programs described above. The net amount is not material to the consolidated financial statements in 2015 and 2014. The final determination and settlement of net amounts receivable or payable are not anticipated to have a material adverse impact on SSMH's consolidated cash flows and operations.

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

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740)—Balance Sheet Classification of Deferred Taxes,* which simplifies the presentation of deferred income taxes by requiring deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. SSMH early adopted ASU 2015-17 for the December 31, 2015, consolidated financial statements, which resulted in a change of the December 31, 2014, income tax disclosures as presented in Note 18. There was no impact to the consolidated balance sheets, consolidated statements of operations and changes in net assets, or consolidated statements of cash flows.

In September 2015, the FASB issued ASU 2015-16, *Business Combinations (Topic 805)—Simplifying the Accounting for Measurement-Period Adjustments,* which removes the requirement to retrospectively account for measurement-period adjustments. An acquirer will recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. ASU 2015-16 also requires either separate presentation on the face of the income statement or disclosure in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. SSMH will adopt ASU 2015-16 in the reporting period beginning January 1, 2017. SSMH is currently evaluating the potential impact on the consolidated financial statements.

In August 2015, the FASB issued ASU 2015-14, *Revenue From Contracts With Customers (Topic 606),* which defers the effective date of ASU 2014-09 by one year for all entities and permits early adoption on a limited basis. In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* ASU 2014-09 will enhance the comparability of revenue-recognition practices across entities, industries, jurisdictions, and capital markets; reduce the number of requirements that must be considered in recognizing revenue; improve disclosure to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized; and provide guidance for transactions that are not currently addressed comprehensively. SSMH will adopt ASU 2014-09 in the reporting period beginning January 1, 2018. SSMH is currently evaluating the potential impact on the consolidated financial statements.

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

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

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820)—Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share*, which removes the requirement to categorize within the fair value hierarchy all investments which fair value is measured using the net asset value practical expedient. ASU 2015-07 is intended to eliminate diversity in practice resulting from the way in which investments measured at net asset value per share with future redemption dates are classified and ensures all investments categorized in the fair value hierarchy are classified using a consistent approach. SSMH adopted ASU 2015-07 for the December 31, 2015, consolidated financial statements, which resulted in a restatement of the December 31, 2014, fair value disclosures as presented in Notes 7 and 13. There was no impact to the consolidated balance sheets, consolidated statements of operations and changes in net assets, or the consolidated statements of cash flows.

In April 2015, the FASB issued ASU 2015-03, *Interest—Imputation of Interest (Subtopic 835-30)—Simplifying the Presentation of Debt Issuance Costs,* which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is intended to reduce unnecessary complexity and simplify the presentation of debt issuance costs. SSMH will adopt ASU 2015-13 in the reporting period beginning January 1, 2016, and is currently evaluating the potential impact on the consolidated financial statements.

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

In April 2014, the FASB issued ASU 2014-08, *Presentation of Financial Statements (Topic* 205) and *Property, Plant and Equipment (Topic 360)—Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.* ASU 2014-08 improves the definition of discontinued operations by limiting the discontinued-operations reporting to disposals of components of an entity that represent strategic shifts that have or will have a major effect on an entity's operations and financial results, will require expanded disclosures for discontinued operations, and will require disclosure of the pretax profit or loss of an individually significant component of an entity that does not qualify for discontinued operations reporting. ASU 2014-08 was effective for SSMH as of January 1, 2015, and did not have an impact on SSMH's consolidated financial statements.

3. UNCOMPENSATED CARE

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

SSMH voluntarily provides free care to patients who are unable to pay for all or part of their health care expenses as determined by SSMH's criteria for financial assistance. Because SSMH does not pursue the collection of amounts determined to qualify as charity care, they are not reported as patient service revenues.

In some cases, SSMH does not receive the amount billed for patient services even though it did not receive information necessary to determine if the patients met the criteria for financial assistance.

The estimated cost of charity care and the cost of uncollectible accounts are below. The estimated costs are calculated using the costs of providing patient care divided by gross patient service revenue. This ratio is then multiplied by the gross charity and uncollectible charges to determine estimated costs.

	2015	2014
Cost of charity care	$ 78,695	$ 83,015
Cost of uncollectible accounts	71,213	80,539

SSMH also commits significant time and resources to activities and critical services that address unmet community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include health screenings and assessments, prenatal education and care, hospice, support for residences for homeless persons, trauma care, community health education and, various support groups.

4. NET PATIENT SERVICE REVENUES

A significant portion of SSMH's revenue is generated under agreements with Medicare and Medicaid. Payments for services covered by Medicare are based on federal regulations specific to the type of service provided. Medicare pays for most services at a prospective rate. Hospital facilities that meet certain requirements receive additional funds in partial payment for the cost of medical education and caring for the indigent. The rates for services covered by Medicaid are determined by the regulations of the state in which the beneficiary is a resident. Medicare and Medicaid regulations are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount.

SSMH has an estimation process for recording Medicare net patient service revenue and estimated cost report settlements. Accruals are recorded to reflect the expected final cost report settlements. Accruals are based upon filed cost reports or an estimate of what is expected to be reported on cost reports not yet filed.

In addition, SSMH has negotiated contracts with certain other third-party payors. Revenues under these contracts are based primarily on payment terms involving predetermined rates per diagnosis, per diem rates, discounted fee-for-service rates, and other similar contractual arrangements. SSMH estimates the discounts for contractual allowances at the individual hospital level utilizing billing data on an individual patient basis. On a monthly basis, an estimate is made of the expected reimbursement for patients of managed care plans based on the applicable contract terms.

SSMH provides discounts on charges for hospital services to all patients without insurance and who do not receive their health care services under Medicare, Medicaid or a public aid program. The discount varies by geographical location, primarily based on the discounts negotiated with private third-party payors in that location. The total discounts provided to uninsured patients under this policy were $239,858 and $220,779 for the years ended December 31, 2015 and 2014, respectively, and are included as a reduction in net patient service revenues. If it is determined that an uninsured patient is eligible for a charity discount for hospital services, the charity discount will be taken after the discount for uninsured patients has been applied.

SSMH participates in assessment programs in the four states in which it operates. For the year ended December 31, 2015, SSMH recognized $235,573 in revenue and $153,809 in expenses relating to these programs. For the year ended December 31, 2014, SSMH recognized $207,619 in revenue and $143,608 in expenses relating to these programs. The revenue is included in net patient service revenues and the expenses are included in professional fees and other expenses.

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

	2015	2014
Medicare	$1,145,628	$1,082,333
Medicaid	512,957	471,242
Managed Care	1,896,655	1,589,468
Other	456,302	419,488
Net patient service revenue before provision for uncollectible accounts	$4,011,542	$3,562,531

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

	2015	2014
Medicare	29 %	30 %
Medicaid	13	13
Managed Care	47	45
Other	11	12
	100 %	100 %

In 2015 and 2014, net patient service revenues increased by $7,172 and $402, respectively, relating to changes in estimates for prior years' settlements from Medicare, Medicaid, and other programs.

5. CONCENTRATION OF CREDIT RISK

SSMH provides health care services through its inpatient and outpatient care facilities located in their respective communities. SSMH attempts to collect amounts due from patients, including co-payments and deductibles for patients with insurance, at the time of service, while complying with all federal and state laws and regulations, including the Emergency Medical Treatment and Active Labor Act (EMTALA). Generally, as required by EMTALA, patients may not be denied emergency treatment due to the inability to pay. In nonemergency circumstances or for elective procedures, SSMH's policy is to verify insurance prior to treatment; however, exceptions can occur. SSMH generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, health maintenance organizations, and commercial insurance policies).

SSMH records an allowance for uncollectible accounts by establishing an allowance to reduce the carrying value of receivables to their estimated net realizable value. This allowance is calculated on an individual entity basis and is based upon the aging of accounts receivable by payor class, historical collection experience, and other relevant factors. During 2015, SSMH revised its financial assistance and billing and collections policies in order to comply with IRS 501(r) regulations in accordance with the ACA. These policy changes did not have a significant impact on the allowance for uncollectible accounts or on net patient receivables as of December 31, 2015.

The mix of net receivables from patients and third-party payors as of December 31, 2015 and 2014, is as follows:

	2015	2014
Medicare	22 %	21 %
Medicaid	8	9
Managed Care	41	37
Other	29	33
	100 %	100 %

6. ASSETS LIMITED AS TO USE OR RESTRICTED

The SSMH Board of Directors and management have designated the accumulation of certain funds for future replacement of property and equipment, other capital improvements, debt retirement, medical insurance claims, and other purposes. Additionally, under the terms of the indentures for various bond issues, funds held by trustees have been established and legally designated for debt service.

A summary of assets limited as to use or restricted as of December 31, 2015 and 2014, is as follows:

	2015	2014
Assets limited as to use:		
Board designated for property and equipment, long-term employee benefit programs, and other	$2,312,359	$2,144,500
Securities on deposit as required by state regulators	19,062	16,328
Held by trustee:		
Project funds	170	14,897
Bond funds	2,652	5,875
Self-insurance (Note 14)	166,321	166,175
Funds held in escrow	-	15,002
Collateral held under securities lending agreements	119,711	126,270
	288,854	328,219
Assets restricted by donor as to use:		
Temporarily restricted	53,667	42,025
Permanently restricted	25,737	25,504
	79,404	67,529
Total assets limited as to use or restricted	2,699,679	2,556,576
Less current portion	387,390	215,353
Noncurrent portion	$2,312,289	$2,341,223

A summary of investment income for the years ended December 31, 2015 and 2014, is as follows:

	2015	2014
Interest and dividends	$ 45,630	$ 46,501
Realized and unrealized (losses) gains on investments—net	(63,283)	66,105
Total	$ (17,653)	$ 112,606

The change in net unrealized loss on investments held at December 31, 2015 and 2014, was $101,667 and $24,167, respectively.

Investment (loss) income is reported as follows:

	2015	2014
Operating investment income	$ 3,299	$ 49,984
Nonoperating investment (loss) income	(20,472)	60,625
(Losses) gains on investments—net—temporarily restricted net assets	(297)	1,578
(Losses) gains on investments—net—permanently restricted net assets	(183)	419
Total	$ (17,653)	$ 112,606

The securities on loan are included in the following classifications:

	2015	2014
Equity securities	$ 89,318	$ 77,826
Government securities	20,287	30,913
Corporate obligations	6,617	13,971
Total	$ 116,222	$ 122,710

SSMH recorded net investment income of $401 and $579 on these transactions for the years ended December 31, 2015 and 2014, respectively. Net investment income represents the amount received as investment income on the securities received as collateral, offset by the fees paid to the various brokers, and the investment earnings on the securities loaned to the brokers.

7. FAIR VALUE MEASUREMENTS

SSMH defines fair value as the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of nonperformance risk, including SSMH's own credit risk.

The fair values of all assets and liabilities recognized or disclosed at fair value are classified based on the lowest level of significant inputs. SSMH used the following methods to determine fair value:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities that SSMH has the ability to access on the report date.

Level 2—Inputs (financial matrices, models, valuation techniques) other than quoted market prices included in Level 1, that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Such observable inputs include benchmarking prices for similar assets in active, liquid markets, quoted prices in markets that are not active and observable yields, and spreads in the market.

Level 3—Inputs (such as professional appraisals, quoted prices from inactive markets that require adjustment based on significant assumptions or data that is not current, or data from independent sources) that are unobservable for the asset or liability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Goodwill—Goodwill with a carrying amount of $13,246 and $18,322 was written off in full due to impairment losses of the same amount, which was included in operating expenses for the years ended December 31, 2015 and 2014, respectively. The fair value of goodwill is determined based on valuation methodologies as described in Note 2.

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

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

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

2015	Level 1	Level 2	Level 3	Total
Recurring fair value measurements:				
Assets:				
Cash and cash equivalents—restricted	$ 234,883	$ 45,096	$ -	$ 279,979
Corporate obligations	-	404,945	-	404,945
Government securities	-	381,842	-	381,842
Mutual funds:				
Domestic	247,130	-	-	247,130
International	109,744	-	-	109,744
Fixed income	35,230	-	-	35,230
Emerging markets	76,932	-	-	76,932
Equities:				
Small cap	67,842	-	-	67,842
Mid cap	109,174	-	-	109,174
Large cap	335,810	-	-	335,810
Derivative financial instruments	-	(75,435)	-	(75,435)
Real estate investments	-	-	39,148	39,148
Guaranteed fixed funds	-	5,251	-	5,251
Pooled separate accounts	-	4,662	-	4,662
Subtotal	$ 1,216,745	$ 766,361	$ 39,148	2,022,254
Investments measured at net asset value:				
Commingled funds:				
Securities lending				119,711
Domestic				3,093
International				168,563
Emerging markets				139,036
Hedge funds				190,291
Partnership interests				20,517
Real estate investments				80,375
Total assets				$ 2,743,840
Liabilities—interest rate swaps	$ -	$ 144,309	$ -	$ 144,309
Nonrecurring fair value measurements—goodwill	$ -	$ -	$ -	$ -

2014	Level 1	Level 2	Level 3	Total
Recurring fair value measurements:				
Assets:				
Cash and cash equivalents—restricted	$ 194,750	$ 48,355	$ -	$ 243,105
Corporate obligations	-	304,962	-	304,962
Government securities	-	403,842	-	403,842
Mutual funds:				
Domestic	333,762	-	-	333,762
International	158,575	-	-	158,575
Fixed income	33,739	-	-	33,739
Emerging markets	226	-	-	226
Equities:				
Small cap	50,595	-	-	50,595
Mid cap	99,634	-	-	99,634
Large cap	259,357	-	-	259,357
Derivative financial instruments	-	(1,377)	-	(1,377)
Real estate investments	-	-	54,227	54,227
Guaranteed fixed funds	-	5,525	-	5,525
Pooled separate accounts	-	4,392	-	4,392
Subtotal	$ 1,130,638	$ 765,699	$ 54,227	1,950,564
Investments measured at net asset value:				
Commingled funds:				
Securities lending				126,270
Emerging markets				70,631
Domestic				130,577
International				93,699
Hedge funds				196,072
Partnership interests				19,973
Real estate investments				92,034
Total assets				$ 2,679,820
Liabilities—interest rate swaps	$ -	$ 142,907	$ -	$ 142,907
Nonrecurring fair value measurements—goodwill	$ -	$ -	$ -	$ -

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

	2015	2014
Assets:		
Investments	$ 52,900	$ 142,664
Assets limited as to use of restricted—current portion	387,390	215,353
Assets limited as to use of restricted—excluding current portion	2,312,289	2,341,223
Less items not recorded at fair value		
Unconditional promises to give, net	(3,243)	(4,016)
Other	(5,496)	(15,404)
Total assets	$ 2,743,840	$ 2,679,820

It is SSMH's policy that transfers between levels will occur when revised information regarding the lowest level of significant inputs becomes available. There were no transfers between levels during 2015 or 2014.

Changes related to the fair values based on Level 3 inputs for the years ended December 31, 2015 and 2014, are summarized as follows:

	2015	**2014**
Real estate investments:		
Beginning balance	$ 54,227	$ 50,811
Total gains (losses)	6,408	(1,885)
Purchases	4,794	20,291
Sales	(26,281)	(14,991)
Ending balance	$ 39,148	$ 54,226

Unrealized losses on Level 3 investments were $1,431 and $1,885 for 2015 and 2014, respectively, and are recorded as nonoperating investment income.

The commingled funds, hedge funds, partnership interests, and certain real estate investments are redeemable at net asset value under the original terms of the agreements. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. SSMH has corrected the disclosure for 2014 below to include commingled funds which were not previously included in the table. Assets recorded at net asset value at December 31, 2015 and 2014, are as follows:

December 31, 2015

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

December 31, 2014

	Fair Value	**Redemption Frequency**	**Redemption Notice Period**
Commingled funds [a]	$ 421,177	Daily, semi-monthly, monthly	0–6 days
Hedge funds [b]	196,072	Monthly, quarterly, annually	30–90 days
Partnership interests [c]	19,973	Quarterly	45 days
Real estate investments [d]	92,034	Quarterly	45–60 days
Total	$ 729,256		

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

[b] This category includes investments in hedge funds that maintain positions in long-short equity, credit, and derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques, and the managers can maintain net long or net short exposure levels based on market views. The strategy designs a diversified portfolio of managers and strategies with the objective of significantly lowering the risk and volatility of investing with an individual manager.

[c] This category includes investments in a limited partnership interest that invests in multiple long-short, market-neutral equity hedge fund managers. The investment is designed to achieve consistent market returns across all market cycles and mitigate market directional portfolio risk through maintaining low net exposure.

[d] This category includes investments in certain real estate funds that invest in the following: underperforming and distressed real estate assets at well below potential replacement cost and which create significant value-added upside through extensive repositioning and capital improvements; distressed real estate and real estate-related debt, companies, securities, and other assets; high-quality properties in major metropolitan areas; and participating mortgages secured by core real estate properties. Investments in real estate are valued based upon independent appraisals using a cost approach, market approach, or income approach, as well as consideration of other third-party evidence.

SSMH had unfunded commitments to purchase real estate investments in the amount of $16,582 and $2,742 at December 31, 2015 and 2014, respectively.

8. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2015 and 2014, is as follows:

	2015	2014
Land and improvements	$ 167,383	$ 155,026
Buildings	2,398,983	2,297,090
Equipment	1,140,321	1,071,048
	3,706,687	3,523,164
Less accumulated depreciation	1,798,292	1,676,359
	1,908,395	1,846,805
Real estate held for future development	8,452	8,744
Construction in process	194,785	80,488
Total	$ 2,111,632	$ 1,936,037

Depreciation expense for the years ended December 31, 2015 and 2014, totaled $189,592 and $177,525, respectively.

The book value of equipment under capital lease obligations at December 31, 2015 and 2014, totaled $28,423 and $25,368, respectively. The related accumulated depreciation totaled $4,263 and $2,464, respectively, at December 31, 2015 and 2014. These amounts are included in the above summary of property and equipment.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

The following table provides information on changes in the carrying amount of goodwill for the years ended December 31, 2015 and 2014:

	2015	2014
Balance—beginning of the period:		
Goodwill	$ 137,488	$ 133,989
Accumulated impairment losses	(25,057)	(6,735)
	112,431	127,254
Goodwill acquired during the year	8,045	3,499
Impairment losses	(13,246)	(18,322)
	(5,201)	(14,823)
Balance—end of the period:		
Goodwill	145,533	137,488
Accumulated impairment losses	(38,303)	(25,057)
Total	$ 107,230	$ 112,431

SSMH performed its annual goodwill impairment test for its reporting units and determined that the carrying value of one reporting unit exceeded the fair value. The income and market approaches were used to determine fair value and the key assumptions used in the goodwill impairment analysis included projected results. A goodwill impairment loss of $5,201 and $18,322 was recognized in the years ended December 31, 2015 and 2014, respectively. No impairments were recognized on the goodwill for the remaining reporting units.

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

The following table provides information regarding other intangible assets for the years ended December 31, 2015 and 2014:

	2015		2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Software	$ 326,823	$ 212,907	$ 289,390	$ 171,346
Trade name	119,742	20,640	119,742	12,143
Customer contracts	60,100	6,956	60,100	3,617
Other	7,459	5,227	7,249	4,262
Total	$ 514,124	$ 245,730	$ 476,481	$ 191,368

The weighted-average amortization period for the intangible assets subject to amortization acquired during the year ended December 31, 2015, is approximately 3.7 years. There are no expected residual values related to these intangible assets.

Amortization expenses on these intangible assets was $55,590 and $50,272 during the years ended December 31, 2015 and 2014, respectively. There are no other intangible assets that are not subject to amortization.

For the year ended December 31, 2015, the total amount assigned to intangible assets due to acquisitions was $10,934 related to software acquired.

The estimated future amortization of intangible assets with finite useful lives as of December 31, 2015, is as follows:

Years Ending December 31	
2016	$ 55,794
2017	47,138
2018	31,320
2019	23,389
2020	15,140

10. INVESTMENTS IN UNCONSOLIDATED ENTITIES

Investments in Unconsolidated Entities—SSMH included the following income from operations from equity method investments in health care joint ventures for the years ended December 31, 2015 and 2014, as operating revenues:

	2015	2014
Income from operations	$ 19,042	$ 22,007
Losses from operations	(206)	(126)
Net income from operations	$ 18,836	$ 21,881

The total carrying amount of cost-method investments was $6,358 and $6,638 at December 31, 2015 and 2014, respectively.

Effective September 26, 2014, SSMH sold its ownership interest in HPI-OKC LLC, an Oklahoma limited liability company formed to own and operate health care facilities in the Oklahoma City, Oklahoma, metropolitan area to an unrelated party for $30,000 resulting in a gain on the sale of $19,902. The gain on sale is included in operating investment income in the consolidated statements of operations and changes in net assets for the year ended December 31, 2014.

During 2013, Premier, Inc., a national health care alliance, issued an initial public offering (IPO). As a result of the IPO, Premier, Inc. acquired under a unit put/call agreement a portion of SSMH's pre-IPO partnership units for $11,133 and SSMH's remaining investment in Premier, Inc. was converted to Class B common units. In connection with the reorganization, SSMH has the right to exchange one-seventh of its Class B common units to either cash or Class A common stock in each of the subsequent seven years. As the common units become eligible for redemption, SSMH recognizes the gain associated with the redemption to Class A stock, either as a reduction of supply expense prior to the redemption to Class A stock or as unrealized gains subsequent to the redemption. During the year ended December 31, 2015, SSMH recognized $10,972 as a reduction in supply expense and $1,031 as unrealized gains. During the year ended December 31, 2014, SSMH recognized $12,552 as a reduction of supply expense. SSMH has recorded its remaining common units and membership interest as a cost method investment in unconsolidated entities with a carrying amount of $1,358 and $1,639 at December 31, 2015 and 2014, respectively.

11. BUSINESS ACQUISITIONS

SSMH entered into the following significant acquisition activities during the years ended December 31, 2015 and 2014.

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

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

The acquisition related costs incurred by SSMH in relation to the transaction were $2,411 and $2,264 for the years ended December 31, 2015 and 2014, respectively, and is recorded in professional fees and other.

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

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

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

SSMH entered into various other agreements as part of the SLU Hospital acquisition, including an academic affiliation agreement, a joint marketing and trademark license agreement, a continued services agreement, and a member's agreement. These agreements describe details regarding how certain matters will be handled, including the affiliation of SLUCare physicians at the SLU School of Medicine with SSMSL, the abilities and restrictions on using the trademarks of both SLU and SSMH, the relationship between the entities in order to ensure continued services will be provided to properly operate SSM-SLUH, as well as defining the membership interests and how specified governance decisions will be made. The pro forma amount of SSMH's revenue, earnings, and changes in net assets had the above acquisition occurred on January 1, 2014, are as follows:

	Unaudited	
	2015	**2014**
Total operating revenues and other support	$ 5,733,712	$ 5,289,225
Income from operations	249,667	157,369
Excess of revenues over expenses	226,100	153,726

The Vascular Institute at DePaul, LLC—Effective July 23, 2014, SSMH acquired the outstanding partnership interests of The Vascular Institute at DePaul, LLC (the "Institute"), for consideration of $2,795 and recorded related goodwill of $3,499.

Prior to the acquisition, SSMH owned 25 percent of the outstanding partnership interest of the Institute, accounted for under the equity method of accounting, and reported its interest in the Institute within investments in unconsolidated entities in the consolidated balance sheets.

12. DEBT AND CAPITAL LEASE OBLIGATIONS

Debt at December 31, 2015 and 2014, consists of the following:

	2015	2014
Under the Master Indenture:		
Fixed rate:		
Series 2014A Bonds, 4.7%, due serially through 2034 (plus unamortized premium of $18,642 and $20,217 at December 31, 2015 and 2014, respectively)	$ 255,212	$ 256,787
Series 2010A Bonds, 4.9%, due serially through 2034 (plus unamortized premium of $2,092 and $2,280 at December 31, 2015 and 2014, respectively)	110,062	119,695
Series 2010B Bonds, 4.8%, due serially through 2034 (plus unamortized premium of $1,090 and $1,187 at December 31, 2015 and 2014, respectively)	141,224	154,157
Series 2008A Bonds, 5.0%, due serially through 2036 (less unamortized discount of $2,223 and $2,345 at December 31, 2015 and 2014, respectively)	101,777	101,655
Series 2001 Hospital Revenue Bonds, 4.65% to 5.40%, due serially through 2016	1,350	2,635
Series 1992A, 6.2%, extinguished in January 2015	-	2,600
Total fixed rate debt	609,625	637,529
Variable rate:		
Series 2014B-G Variable Rate Demand Bonds, 0.01% to 0.60% at December 31, 2015, due serially through 2044	300,000	300,000
Series 2014H-K Variable Rate Direct Loans, 0.62% to 0.99% at December 31, 2015, due serially through 2045	332,155	332,155
Series 2012A Variable Rate Direct Loans, 0.80% at December 31, 2015, due serially through 2045	106,730	108,770
Series 2012B Variable Rate Direct Loans, 0.80% at December 31, 2015, due serially through 2045	70,980	72,340
Series 2002B, Auction Rate Bonds, 0.24% at December 31, 2015, term bonds due between 2016 and 2020	17,250	31,800
Series 1998B, Auction Rate Bonds, 0.18% to 0.24% at December 31, 2015, due serially through 2019	61,450	69,700
Total variable rate debt	888,565	914,765
Taxable debt—Fixed rate direct loan, 2.2% due in annual installments through 2019	90,657	93,839
Other debt:		
Note payable to Felician Services, Inc.	42,064	42,018
Surplus notes, 0.25% at December 31, 2015, due in 2019	6,663	6,663
Notes payable, due at various dates through 2029, interest at 4.00% to 9.25%, unsecured	385	1,713
Capital lease obligations, at varying rates from 3.00% to 10.24% collateralized by leased equipment	25,298	23,826
Total other debt	74,410	74,220
Total debt and capital lease obligations	1,663,257	1,720,353
Less capital lease obligations, excluding current portion	23,430	22,940
Less short-term borrowings	300,000	300,000
Less current portion of long-term debt and capital lease obligations	34,981	35,337
Total long-term debt	$1,304,846	$1,362,076

SSM Health Master Indenture—SSMHCC is a member of the SSM Health Credit Group (the "Credit Group") and the only obligated group member pursuant to a master trust indenture (amended and restated) dated May 15, 1998. SSMH corporations not included in the Credit Group include a variety of entities consisting primarily of foundations, medical office building corporations, employed physician practices, and various other corporations involved in activities supporting SSMH. Effective April 1, 2014, certain Dean Health Services (DHS) entities, excluding the Dean Health Plan and Dean Heath Insurance, Inc. (DHI), were designated as members of the Credit Group. Certain of SSMH's affiliates are "Designated Affiliates" under the master trust indenture. The net assets of the Designated Affiliates are available to SSMHCC to service all obligations under the master indenture. Various issuing authorities have issued tax-exempt revenue bonds under the master trust indenture. The payment of Series 2002B, 1998B, and 1992A, which aggregate $78,700 and $104,100 at December 31, 2015 and 2014, respectively, is insured by municipal bond insurance policies. The remaining bonds are uninsured. All master indenture debt is subject to certain debt covenants, including, among other things, the maintenance of certain cash balances and other financial ratios.

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

On May 14, 2014, SSMH issued the following: $257,655 of uninsured, fixed-rate debt through the Health and Educational Facilities Authority of the State of Missouri due serially through 2034; $300,000 of uninsured variable rate demand bonds through the Health and Educational Facilities Authority of the State of Missouri due serially through 2044; and $332,155 of direct-placement bank loans due serially through 2045. Of the proceeds, $429,810 was used for the complete refunding of the Series 2005C, 2005D, 2010D, and 2010E bonds. An additional $400,000 was used for the payoff of a short-term note payable agreement. The remaining bond proceeds were used to finance qualified capital projects. SSMH recorded a loss on the extinguishment of debt of $2,316 in connection with this issue. The loss is included in nonoperating gains (losses).

Auction Rate Bonds—The debt includes $78,700 and $101,500 at December 31, 2015 and 2014, respectively, of variable auction rate bonds. The interest rates on these bonds are reset at regular intervals of 35 days. The bonds are bought and sold at the lowest bid rate at which all of the outstanding bonds can be sold. This rate varies based on market conditions. If there are insufficient orders to purchase all of the bonds available for sale, the rate is set at a maximum rate required by the bond agreement. The maximum rate for SSMH's auction rate bonds is the higher of 175 percent of the after-tax equivalent rate or the 30-day Tax-exempt Municipal Commercial Paper Index, but no more than 12 percent.

Variable Rate Bonds—The debt includes $809,865 and $813,265 at December 31, 2015 and 2014, respectively, of variable rate bonds. The interest rates on these bonds are reset at daily or longer intervals. The 2014 variable rate demand bonds, totaling $300,000 at December 31, 2015 and 2014, are supported through self-liquidity. The remaining variable rate bonds were issued as funded direct placements that do not require liquidity support.

Surplus Notes—As part of a third-party service agreement, DHI has entered into a surplus note agreement in the amount of $6,663. Principal and interest repayments must be approved by the Office of the Commissioner of Insurance (OCI) of the State of Wisconsin. Repayment of the note will not occur until the earlier of OCI approval or 18 months after the service agreement termination date of December 31, 2019. Interest is accrued on the outstanding principal balance at the one-year U.S. Treasury securities rate as set on the first business day of the calendar year. The annual interest rate for the years ended December 31, 2015 and 2014, was 0.25 percent and 0.13 percent, respectively.

Note Payable to Felician Services, Inc. (FSI)—On July 1, 2007, SSMH entered into an installment note payable to FSI. Under the terms of the agreement, FSI may elect to convert the note to pay status on or after December 31, 2014. SSMH will begin making twenty annual payments on the note, with the first one due one year after FSI has notified SSMH of its election to convert the note to pay status. The fixed interest rate will be equal to the 20-year municipal market data index plus 0.25 on the first day the note is in pay status. As of December 31, 2015, FSI had not elected to convert the note to pay status.

Until the note is in pay status, the principal is adjusted annually based on a specified consumer price index. The principal of the note was adjusted $46 and $574 for the years ended December 31, 2015 and 2014, respectively, from the book value at July 1, 2007, which is reflected in interest expense.

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

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

	Debt		Capital
	Contractual Payments	Contingent Payments	Lease Obligations
2016	$ 33,218	$ 333,218	$ 3,786
2017	32,964	32,964	3,584
2018	29,908	29,908	3,051
2019	31,097	31,097	2,663
2020	32,221	32,221	2,707
Thereafter	1,458,950	1,158,950	28,856
	1,618,358	1,618,358	44,647
Plus amount representing net premium	19,601	19,601	
Less amount representing interest under capital lease obligations			19,349
Plus capital lease principal payments	25,298	25,298	$ 25,298
Total debt and capital lease obligations	$ 1,663,257	$ 1,663,257	

Commercial Paper—On May 14, 2014, SSMH filed a registration to issue up to $200,000 in commercial paper supported by self-liquidity. On May 14, 2014, SSMH issued $179,937 of commercial paper under this registration. The proceeds from this issuance were used to replace a commercial paper program previously utilized at DHS and to pay off existing loans. On December 15, 2014, SSMH issued an additional $20,000 of commercial paper under this registration. Proceeds were used to reduce the pension liability. On October 13, 2015, SSMH filed a registration to issue up to an additional $200,000 in commercial paper and issued $150,000 under the new registration. Annual interest rates charged during the year ended December 31, 2015, were 0.30 percent to 0.36 percent.

Revolving Line of Credit—On February 28, 2014, SSMH entered into a $150,000 revolving line of credit agreement. This line replaced currently existing lines of credit totaling $180,000. SSMH pays interest based on LIBOR plus a spread. The annual interest rate charged during the year ended December 31, 2015 and 2014, was 0.49 percent and 0.46 percent, respectively. The line is secured under SSMHCC's existing master trust indenture. At December 31, 2015, SSMH had no outstanding borrowings on this line. SSMH had outstanding borrowings on this line of $100,000 at December 31, 2014.

Fair Value of Debt—The valuation of the estimated fair value of fixed-rate long-term debt is completed by a third-party service and accepted by management and takes into account a number of factors including, but not limited to, any one or more of the following: general interest rate and market conditions; macroeconomic and/or deal-specific credit fundamentals; valuations of other financial instruments that may be comparable in terms of rating, structure, maturity and/or covenant protection; investor opinions about the respective deal parties; size of the transaction; cash flow projections, which in turn are based on assumptions about certain parameters that include, but are not limited to, default, recovery, prepayment, and reinvestment rates; administrator reports, asset manager estimates, broker quotation, and/or trustee reports; and comparable trades, where observable. Based on the inputs in determining the estimated fair value of debt this liability would be considered Level 2. The carrying amounts of SSMH's variable rate debt (including capital leases) and other debt approximate their fair values. The fair value of debt approximated $1,712,771 and $1,770,264 at December 31, 2015 and 2014, respectively, compared to carrying amounts of $1,663,257 and $1,720,353, respectively.

Interest Rate Swaps—SSMH utilizes various interest rate swap contracts to manage the risk of increased interest rates payable of certain variable-rate bonds. None of these swaps have been designated as hedges of the interest payments on outstanding debt obligations for accounting purposes. At December 31, 2015 and 2014, SSMH was a party to fixed-payer interest rate swap agreements, which convert SSMH's variable-rate debt to fixed-rate debt. Additionally, at December 31, 2015 and 2014, SSMH was a party to fixed-spread-basis interest rate swap agreements, in which SSMH pays SIFMA and receives a percentage of LIBOR plus a spread.

Certain swap agreements require SSMH to provide collateral if SSMH's liability, determined on a mark-to-market basis, exceeds a specified threshold. At December 31, 2015 and 2014, no collateral was required to be provided related to this liability.

As part of its pooled investment program, SSMH holds investments in interest rate futures, which are contracts that establishes a set price to purchase certain interest-bearing assets at a future date prior to maturity of the contract.

The following table shows the outstanding notional amount of derivative instruments measured at fair value as reported in other liabilities and assets whose use is limited in the consolidated balance sheets as of December 31, 2015 and 2014:

December 31, 2015	Recorded on Balance Sheet	Maturity Date of Derivatives	Fixed Rate	Notional Amount Outstanding	Fair Value
Derivatives not designated as hedges—interest rate swaps	Other liabilities	2033–2044	2.82%–5.21%	$ 842,200	$(144,309)
Derivatives not designated as hedges—interest rate futures	Assets whose use is limited	2016–2017	0%–6%	$ 552,500	$(101,801)
Total				$ 1,394,700	$(246,110)

December 31, 2014	Recorded on Balance Sheet	Maturity Date of Derivatives	Fixed Rate	Notional Amount Outstanding	Fair Value
Derivatives not designated as hedges—interest rate swaps	Other liabilities	2033–2044	2.82%–5.21%	$ 782,400	$(142,907)
Total				$ 782,400	$(142,907)

Fair value is based on significant other observable inputs (Level 2) at December 31, 2015 and 2014. The loss related to derivative instruments has been recorded for the years ended December 31, 2015 and 2014, as follows:

	Recorded as	Loss December 31, 2015	Loss December 31, 2014
Settled amounts	Interest expense	$ (19,406)	$ (21,596)
Unrealized losses	Change in fair value of interest rate swaps	(1,402)	(56,995)
Realized and unrealized losses	Nonoperating investment losses	(296)	
Total		$ (21,104)	$ (78,591)

Cash Paid for Interest—Cash paid for interest totaled $56,326 and $53,481 for the years ended December 31, 2015 and 2014, respectively. SSMH capitalized interest costs in the amounts of $2,165 and $5,313 in the years ended December 31, 2015 and 2014, respectively.

13. PENSION

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

The following table summarizes the benefit obligations, the fair value of plan assets, and the funded status at December 31, 2015 and 2014:

	2015	**2014**
Change in projected benefit obligation:		
Projected benefit obligation—beginning of period	$2,069,705	$1,773,625
Service cost, benefits earned during the period	61,394	54,871
Interest costs on projected benefit obligation	84,535	86,850
Actuarial (gain) loss	(51,330)	241,282
Curtailments	(54,857)	-
Settlements	(1,308)	(1,568)
Benefits paid	(75,232)	(85,355)
Projected benefit obligation—end of period	2,032,907	2,069,705
Change in plan assets:		
Fair value of plan assets—beginning of period	1,346,642	1,104,004
Actual return on plan assets	(10,482)	45,827
Employer contributions	80,877	283,734
Settlements	(1,308)	(1,568)
Benefits paid	(75,232)	(85,355)
Fair value of plan assets—end of period	1,340,497	1,346,642
Net amount recognized at end of period and funded status	$ (692,410)	$ (723,063)
Accumulated benefit obligation—end of period	$1,994,787	$1,994,822

The following is a summary of the amounts recognized in the consolidated balance sheets for the years ended December 31, 2015 and 2014:

	2015	2014
Amounts recognized in the consolidated balance sheets consist of:		
Accounts payable and accrued expenses	$ (5,083)	$ (5,444)
Long-term pension liability	(687,327)	(717,619)
Net amount recognized	$ (692,410)	$ (723,063)
Amounts recognized in unrestricted net assets consist of:		
Beginning of year balance	$ 609,861	$ 344,405
Arising during current year—net actuarial loss	67,279	281,753
Prior service credit recognized due to curtailment	99,554	-
Liability occurring due to curtailment	(54,857)	-
Reclassified into net periodic benefit cost:		
Net actuarial loss	(70,076)	(44,840)
Prior service cost	28,543	28,543
End-of-year balance	$ 680,304	$ 609,861

The net loss and prior service (credit) cost for the defined benefit pension plans that will be amortized from unrestricted net assets into net periodic benefit costs over the next fiscal year are $50,750 and ($11,216), respectively.

The following is a summary of the components of net periodic pension cost for the years ended December 31, 2015 and 2014:

	2015	2014
Service cost, benefits earned during the period	$ 61,394	$ 54,871
Interest costs on projected benefit obligation	84,535	86,850
Expected return on plan assets	(108,280)	(86,455)
Amortization of unrecognized:		
Prior service costs	(28,543)	(28,543)
Net loss	70,076	44,840
Net periodic pension cost	79,182	71,563
Curtailment	(99,554)	-
Settlement	154	156
Total cost	$ (20,218)	$ 71,719

The following are the actuarial assumptions used by the pension plans to develop the components of pension expense for the years ended December 31, 2015 and 2014:

	2015	2014
Discount rates	4.00 %	4.85 %
Rates of salary increase	3.50	3.75
Return on plan assets	8.00	8.00

The following are the actuarial assumptions used by the pension plans to develop the components of the pension projected benefit obligation as of December 31, 2015 and 2014:

	2015	2014
Discount rates	4.35 %	4.00 %
Rates of salary increase	3.00	3.50

SSMH expects to contribute a minimum of $75,204 to its pension plans in 2016.

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

	Pension Benefits
2016	$ 160,814
2017	112,200
2018	122,012
2019	131,523
2020	137,208
Years 2021–2025	687,217

The actual plan asset allocations and the allocation goals comprise the following investment classifications at December 31, 2015 and 2014:

	2015	2014	Allocation Goals
Cash, cash equivalents, and short-term investments	1 %	16 %	2 %
Equities	49	41	47
Fixed income	21	18	21
Real estate investments	12	13	15
Multi-strategy hedge funds	17	12	15
	100 %	100 %	100 %

SSMH's investment objective with respect to pension plans is to produce sufficient current income and capital growth through a portfolio of equity, real estate, hedge fund, and fixed-income investments, which together with appropriate employer contributions is sufficient to provide for the pension benefit obligations. The assumed return on plan assets is intended to be a long-term rate expected on funds invested or to be invested in accordance with SSMH's asset allocation policy to provide for benefits reflected in the plans' projected benefit obligation. In developing the assumptions, SSMH evaluates input from its actuary and pension fund investment advisors. Pension assets are managed by outside investment managers in accordance with the investment policies and guidelines established by the pension trustees, and are diversified by investment style, asset category, sector, industry, issuer, geographical location, and maturity. Pension assets are rebalanced each quarter to the plan's asset allocation guidelines. SSMH anticipates that its investment managers will continue to generate long-term returns equal to or in excess of its assumed rates.

In December 2014, SSMH contributed $200,000 to its defined benefit plan in order to reduce the impact of the actuarial changes referenced above on the liability. This resulted in a high proportion of cash, cash equivalents, and short-term investments at December 31, 2014. In January 2015, SSMH rebalanced its portfolio to reflect its allocation goals.

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

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

2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Cash equivalents	$ -	$ 36,776	$ -	$ 36,776
Corporate obligations	-	136,254	-	136,254
Government securities	-	107,632	-	107,632
Mutual funds:				
Domestic	879	-	-	879
International	84,264	-	-	84,264
Emerging markets	60,878	-	-	60,878
Equities:				
Small cap	33,915	-	-	33,915
Mid cap	81,841	-	-	81,841
Large cap	253,033	-	-	253,033
Derivative financial instruments	-	(27,201)	-	(27,201)
Real estate investments	-	-	51,976	51,976
Subtotal	$ 514,810	$ 253,461	$ 51,976	820,247
Investments measured at net asset value:				
Commingled funds:				
Securities lending				83,143
Domestic				1,115
International				133,958
Fixed income				50,134
Hedge funds				228,331
Real estate investments				106,712
Total assets				1,423,640
Payable under security lending agreement				(83,143)
Fair value of plan assets				$ 1,340,497

2014	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ -	$ 237,978	$ -	$ 237,978
Corporate obligations	-	93,783	-	93,783
Government securities	-	130,926	-	130,926
Mutual funds—international	121,610	-	-	121,610
Equities:				
Small cap	29,160	-	-	29,160
Mid cap	75,254	-	-	75,254
Large cap	190,709	-	-	190,709
Credit derivatives	-	(483)	-	(483)
Real estate investments	-	-	45,871	45,871
Subtotal	$ 416,733	$ 462,204	$ 45,871	924,808
Investments measured at net asset value:				
Commingled funds:				
Securities lending				74,702
Domestic				46,328
International				74,219
Emerging markets				57,160
Hedge funds				166,199
Real estate investments				77,928
Total assets				1,421,344
Payable under security lending agreement				(74,702)
Fair value of plan assets				$ 1,346,642

It is the plan's policy that transfers between levels will occur when revised information regarding the lowest level of significant inputs becomes available. There were no transfers between levels in 2015 or 2014.

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

	2015	2014
Real estate investments:		
Beginning balance	$ 45,871	$ 46,690
Actual return on plan assets—realized	10,418	-
Actual return on plan assets—unrealized	(1,902)	(1,596)
Purchases, sales, and settlements—net	(2,411)	777
Ending balance	$ 51,976	$ 45,871

The commingled funds, hedge funds, and certain real estate investments are redeemable at net asset value under the original terms of the agreements. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. SSMH has corrected the disclosure for 2014 below to include commingled funds which were not previously included in the table. Assets recorded at net asset value at December 31 are as follows:

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

December 31, 2014	**Fair Value**	**Redemption Frequency**	**Redemption Notice Period**
Commingled funds [a]	$ 252,409	Daily, semi-monthly, monthly	0–6 days
Hedge funds [b]	166,199	Monthly, quarterly, annually	5–90 days
Real estate investments [c]	77,928	Quarterly	45–60 days
Total	$ 496,536		

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

(b) This category includes investments in hedge funds that maintain positions in long-short equity, credit and derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques, and the managers can maintain net long or net short exposure levels based on market views. The strategy designs a diversified portfolio of managers and strategies with the objective of significantly lowering the risk and volatility of investing with an individual manager.

(c) This category includes investments in certain real estate funds that invest in the following: underperforming and distressed real estate assets at well below potential replacement cost and which create significant value-added upside through extensive repositioning and capital improvements; distressed real estate and real estate-related debt, companies, securities, and other assets; high-quality properties in major metropolitan areas; and participating mortgages secured by core real estate properties. Investments in real estate are valued based upon independent appraisals using a cost approach, market approach, or income approach, as well as consideration of other third-party evidence.

The plan had unfunded commitments to purchase real estate investments in the amounts of $22,118 and $2,320 at December 31, 2015 and 2014, respectively.

Defined Contribution Plans—SSMH also sponsors defined contribution plans covering employees (excluding DHS employees) who participate in the voluntary tax deferred annuity program and who meet age and service requirements. SSMH's contributions to these plans are based on a percentage of employee compensation or employee contributions. The defined contribution pension expense for these plans were $12,478 and $12,107 for 2015 and 2014, respectively, and are included in salaries and benefits.

DHS and its subsidiaries sponsor several defined contribution plans covering substantially all employees of DHS. Total contributions to these plans were $16,037 and $20,432 for the years ended December 31, 2015 and 2014, respectively, which is included in salaries and benefits.

14. SELF-INSURANCE

Professional and General Liability Insurance—A majority of the members of SSMH participate in the SSMH Liability Trust I or SSMH Liability Trust II (the "Trusts"). Both Trusts are revocable grantor trusts. These Trusts, which cover primary limits of professional and general liability, require annual contributions by participating entities at actuarially determined amounts. All professional and general liability claims and workers' compensation claims are paid from the Trusts subject to certain liability limitations.

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

	January 1, 2014 to December 31, 2015
Per occurrence limits—Missouri, Oklahoma, and Illinois	$ 5,000
Annual aggregate	None

SSMH's hospitals and physicians located in Wisconsin are qualified health care providers as defined by Wisconsin state statutes regarding professional liability coverage and participate in the State of Wisconsin Injured Patients and Families Compensation Fund (PCF). As defined by Wisconsin state statute, these hospitals and physicians have separate professional liability limits of $1,000 per claim and a $3,000 annual aggregate applied to each qualified provider. Losses in excess of these amounts are fully covered through mandatory participation in the PCF. SSMH is commercially insured up to these limits for these hospitals and physicians. For any Wisconsin operation not qualified to participate in the PCF, separate commercial limits of liability are purchased; limits and coverages are evaluated annually.

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

	January 1, 2014 to December 31, 2015
Per occurrence limits—Missouri, Oklahoma, Wisconsin, and Illinois	$ 3,000
Annual aggregate	None

SSMH maintains reinsurance through a wholly owned captive for professional and general liability claims exceeding the underlying self-insured retention. As of December 31, 2015, the reinsurance provides coverage up to the limits in the following table. The sublimits that apply are part of and not in addition to the overall policy aggregate limits.

	All Locations
Each loss event	$ 135,000
Annual aggregate, per location	135,000
Annual aggregate all locations	160,000

The estimated professional and general liability obligation is recorded in the consolidated financial statements at the present value of future cash payments for both asserted and unasserted claims, using a discount rate of 3.0 percent at December 31, 2015 and 2014. The liability for self-insured reserves represents estimates of the ultimate net cost of all losses and related expenses, which are incurred but not paid at the balance sheet date based on an actuarial valuation. This estimated obligation is $97,400 and $78,267 at December 31, 2015 and 2014, respectively, of which $23,119 and $18,575 is recorded in accounts payable and accrued liabilities at December 31, 2015 and 2014, respectively.

The accumulated assets of the Trusts are not available to participating members except to pay covered professional liability claims or to reduce future contributions when warranted by claims experience. In the event the Trusts are ever depleted, the participating members would be required to fund deficiencies based on future actuarial determinations.

DHS retains deductible levels with respect to its professional liability program. For professional liability claims reported on or after July 1, 2004, the per-occurrence deductible level is $1,000 per defendant, and the annual aggregate deductible level is $3,000. DHS is contractually obligated to reimburse its insurance carriers for all claims paid under the professional liability policies. The PCF also provides unlimited insurance for amounts in excess of the deductibles. DHS recognized a liability of $10,389 and $10,471 at December 31, 2015 and 2014, respectively, of which $1,831 and $2,048 is recorded in accounts payable and accrued expenses at December 31, 2015 and 2014, respectively.

Workers' Compensation—A majority of the members of SSMH participate in SSMH's centralized self-insured workers' compensation program. Claims in excess of certain liability limitations are covered by commercial insurance. The estimated workers' compensation liability obligation is actuarially determined and recorded in the consolidated financial statements at the present value of future cash payments for both asserted and unasserted claims, using a discount rate of 1.0 percent at December 31, 2015 and 2014. DHS maintains a fully insured workers' compensation program through commercial insurance.

Employee Health Insurance—A majority of the members of SSMH participate in the SSM Employee Health Care Plan (the "HC Plan"). Each participating member funds an actuarially determined amount for payment of covered benefits and related expenses, which are subject to certain limitations. Claims paid by the HC Plan are included in salaries and benefits expense and include claims paid by the HC Plan to SSMH entities of $97,314 and $61,706 for the years ended December 31, 2015 and 2014, respectively. SSM of Wisconsin members are fully insured under Dean Health Plan.

15. ASSET RETIREMENT OBLIGATIONS

SSMH has recorded conditional asset retirement obligations and capitalized retirement costs related to the estimated cost of removing asbestos from its facilities. Federal and state regulations require the removal of asbestos when a building is demolished or, at a minimum, encapsulation of the asbestos when it would be exposed during renovation. The obligation is included in other liabilities, and the capitalized costs are included in property and equipment. The following summarizes the asset retirement obligations at December 31, 2015 and 2014:

	2015	2014
Balance—beginning of the period	$ 9,170	$ 9,554
Retirements	(1,259)	(701)
Accretion expense	433	317
Balance—end of the period	$ 8,344	$ 9,170

16. ENDOWMENTS

Endowments consist of approximately 50 individual funds established for a variety of purposes. They include both donor-restricted endowment funds and funds designated by the boards of trustees or governors of its 15 foundations to function as endowments (board-designated endowment funds). Net assets associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions and the nature of the restrictions, if any.

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

Endowment Net Asset Composition by Type of Fund as of December 31, 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 7,615	$ 25,504	$ 33,119
Board-designated endowment funds	8,241	-	-	8,241
Total funds	$ 8,241	$ 7,615	$ 25,504	$ 41,360

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

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2014	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets—beginning of year	$ 14,309	$ 8,225	$ 22,287	$ 44,821
Investment return:				
Investment income	226	1,489	402	2,117
Net appreciation (realized and unrealized)	179	259	17	455
Total investment return	405	1,748	419	2,572
Contributions	-	106	827	933
Appropriation of endowment assets for expenditure	(6,473)	(493)	-	(6,966)
Other changes—transfers in (out)	-	(1,971)	1,971	-
Endowment net assets—end of year	$ 8,241	$ 7,615	$ 25,504	$ 41,360

Transfers in (out) include a reclassification of permanently restricted endowments and new endowments acquired through acquisitions.

Funds with Deficiencies—From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or current law requires SSMH to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of December 31, 2015 and 2014.

Return Objectives and Risk Parameters—SSMH has investment and spending practices for endowment assets that intend to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that SSMH must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The policy allows the endowment assets to be invested in a manner that is intended to produce results that exceed the price and yield results of the allocation index while assuming a moderate level of investment risk. SSMH expects its endowment funds to provide a rate of return that preserves the gift and generates earnings to achieve the endowment purpose.

Strategies Employed for Achieving Objectives—To satisfy its long-term rate-of-return objectives, SSMH relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and interest and dividend income. SSMH uses a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints to preserve capital.

Spending Policy and how the Investment Objectives Relate to Spending Policy—SSMH has a practice of distributing the major portion of current-year earnings on the endowment funds, if the restrictions have been met. Some of the donor-restricted endowments require a portion of the earnings to increase the corpus of the endowment. This is consistent with the organization’s objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

17. BALANCE SHEET OFFSETTING

SSMH’s credit derivative instruments are under a master agreement that provides the ability to close out and net the total exposure to a counterparty in the event of a default or other termination events. SSMH’s interest rate swap agreements allow for net settlements of payment in the normal course as well as offsetting of all contracts with a given counterparty in the event of default or bankruptcy of one of the two parties of the transaction. As of December 31, 2015 and 2014, there was no collateral posted for the interest rate swaps.

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

Offsetting of Financial and Derivative Assets

Description	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets	Net Amount
As of December 31, 2015—derivative financial instruments	$186,356	$(186,356)	$ -	$ -	$ -
As of December 31, 2014—derivative financial instruments	$ 81,715	$ (81,715)	$ -	$ -	$ -

Offsetting of Financial and Derivative Liabilities

Description	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets	Net Amount
As of December 31, 2015:					
Derivative financial instruments	$261,791	$(186,356)	$ 75,435	$ -	$ 75,435
Derivatives—interest rate swaps	144,309	-	144,309	-	144,309
As of December 31, 2014:					
Derivative financial instruments	$ 83,092	$ (81,715)	$ 1,377	$ -	$ 1,377
Derivatives—interest rate swaps	142,907	-	142,907	-	142,907

18. INCOME TAXES

The components of income tax expense for the years ended December 31, 2015 and 2014, are as follows:

	2015	2014
Current tax expense:		
Federal	$ 1,772	$ 772
State	593	165
Current tax expense	2,365	937
Income tax expense	$ 2,365	$ 937

Deferred income taxes reflect the tax impact of carryforwards and temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities. Deferred tax assets and liabilities are classified as either current or noncurrent based on the classification of the related liability or asset for financial reporting. A deferred tax asset or liability that is not related to an asset or liability for financial reporting, including deferred taxes related to carryforwards, is classified according to the expected reversal date of the temporary differences as of the end of the year. The components of deferred taxes are as follows:

	2015	2014
Assets:		
Net operating loss and credit carryforwards	$ 310,092	$ 332,138
Accrued employee compensation	16,131	13,809
Other nondeductible liabilities	19,019	14,040
Doubtful accounts	2,523	4,824
Other	6,768	6,006
Assets	354,533	370,817
Liabilities:		
Depreciable and amortizable assets	(82,941)	(99,260)
Investment in subsidiaries	(16,984)	(18,379)
Other	(6,724)	(6,842)
Liabilities	(106,649)	(124,481)
Valuation allowance	$ (247,884)	$ (246,336)
Net deferred income tax assets	$ -	$ -

As of December 31, 2015 and 2014, the deferred income tax benefits were recorded net of a valuation allowance of $247,884 and $246,336 primarily due to net operating loss carryforwards available related to its for-profit subsidiaries, which expire between 2016 and 2034. A valuation allowance was provided because it is more likely than not that the net operating losses will expire unutilized. During the year ended December 31, 2015, SSMH increased the valuation allowance by an additional $1,548 based on 2015 net losses. During the year ended December 31, 2014, SSMH increased the valuation allowance by an additional $7,112 based on 2014 net losses.

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

SSMH files income tax returns in the US federal jurisdiction and in various state jurisdictions. SSMH is no longer subject to US or state income tax examinations by tax authorities for the years before 2011.

Cash Paid for Income Taxes—Cash paid for income taxes totaled $2,165 and $487 for the years ended December 31, 2015 and 2014, respectively.

19. NET ASSETS

SSMH reports the noncontrolling interest in the net assets of consolidated subsidiaries as a separate component of the appropriate class of net assets. The reconciliation of noncontrolling interest reported in unrestricted net assets is as follows:

	Total	SSMH Unrestricted Net Assets	Noncontrolling Interest
Unrestricted net assets—January 1, 2014	$ 1,902,441	$ 1,882,118	$ 20,323
Excess of revenues over expenses	147,353	142,456	4,897
Pension-related changes	(265,456)	(265,456)	-
Distributions to noncontrolling owners	(3,913)	-	(3,913)
Net assets released from restrictions	2,311	2,311	-
Other—net	(492)	(492)	-
Change in unrestricted net assets	(120,197)	(121,181)	984
Unrestricted net assets—December 31, 2014	1,782,244	1,760,937	21,307
Excess of revenues over expenses	206,165	198,140	8,025
Pension-related changes	(70,443)	(70,443)	-
Distributions to noncontrolling owners	(4,412)	-	(4,412)
Net assets released from restrictions	16,250	16,250	-
Noncontrolling interest related to acquisition	128,700	-	128,700
Other—net	(1,129)	(1,129)	-
Change in unrestricted net assets	275,131	142,818	132,313
Unrestricted net assets—December 31, 2015	$ 2,057,375	$ 1,903,755	$ 153,620

20. FUNCTIONAL EXPENSES

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

	2015	2014
Health care services	$ 4,916,682	$ 4,341,340
General and administrative	301,659	394,107
Fundraising	11,231	13,810
Total expenses	$ 5,229,572	$ 4,749,257

21. COMMITMENTS AND CONTINGENT LIABILITIES

Leases for property and equipment that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operating expense on a straight-line basis over the term of the lease.

The following is a schedule of future minimum lease payments under operating leases as of December 31, 2015, that have initial or remaining lease terms in excess of one year:

2016	$ 60,496
2017	52,937
2018	46,071
2019	37,674
2020	30,985
Thereafter	82,335
Total minimum lease payments	$ 310,498

Total rental and lease expense was approximately $71,891 and $55,190 in 2015 and 2014, respectively.

SSMH has outstanding letters of credit of $7,164 and $7,159 at December 31, 2015 and 2014, respectively. There were no outstanding draws on these letters of credit.

At December 31, 2015, SSMH has entered into construction projects for new facilities and capital improvements to existing facilities. As of December 31, 2015, SSMH has unmet commitments of approximately $100,526, which will be financed with board-designated assets, project funds, or cash generated from operations. As part of acquisition agreements in Wisconsin and Missouri, SSMH has committed an additional $589,373 for facility improvements to be paid out from 2014 to 2020. Of this amount $13,500 has been spent as of December 31, 2015.

SSMH has entered into certain other income guarantees with outside entities to be paid out from 2015 through 2019, which totaled $50,399 at December 31, 2015.

SSMH is involved in litigation and regulatory investigations arising in the normal course of business. After consultation with legal counsel, it is management's opinion that these matters will be resolved without a material adverse effect on SSMH's consolidated financial position or consolidated results of operations.

22. SUBSEQUENT EVENTS

For the year ended December 31, 2015, SSMH has evaluated subsequent events for potential recognition and disclosure through March 29, 2016, the date the financial statements were issued. During this period, there were no subsequent events that required recognition or disclosure in the accompanying consolidated financial statements.

* * * * * *

SSM HEALTH ADDITIONAL INFORMATION

SSM HEALTH

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

	Credit Group	Other Entities	Eliminations	Total
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 71,375	$ 15,436	$ -	$ 86,811
Investments	52,160	740	-	52,900
Current portion of assets limited as to use	206,986	180,404	-	387,390
Patient accounts receivable—less allowance for uncollectible accounts	499,362	102,949	(26,710)	575,601
Premium receivable—less allowance for uncollectible accounts	16	6,285	-	6,301
Other receivables	280,251	25,575	(43,643)	262,183
Inventories, prepaid expenses, and other	103,593	27,965	(1,327)	130,231
Estimated third-party payor settlements	8,177	14,260	1,419	23,856
Total current assets	1,221,920	373,614	(70,261)	1,525,273
ASSETS LIMITED AS TO USE OR RESTRICTED—Excluding current portion	2,086,340	225,949	-	2,312,289
PROPERTY AND EQUIPMENT—Net	1,941,891	169,741	-	2,111,632
OTHER ASSETS:				
Deferred financing costs—net	7,331	-	-	7,331
Goodwill	87,148	20,082	-	107,230
Intangible assets —net	215,416	52,978	-	268,394
Investments in unconsolidated entities	220,571	15,058	(145,932)	89,697
Other	31,521	296	(20,404)	11,413
Total other assets	561,987	88,414	(166,336)	484,065
TOTAL	$5,812,138	$857,718	$(236,597)	$6,433,259
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Revolving line of credit	$ -	$ 152	$ -	$ 152
Current portion of long-term debt and capital lease obligations	33,788	1,638	(445)	34,981
Accounts payable, accrued expenses, and other current liabilities	708,099	293,218	(69,797)	931,520
Commercial paper	349,937	-	-	349,937
Short-term borrowings	300,000	-	-	300,000
Unearned premiums	-	29,573	-	29,573
Payable under securities lending agreements	118,810	901	-	119,711
Estimated third-party payor settlements	128,600	30	-	128,630
Total current liabilities	1,639,234	325,512	(70,242)	1,894,504
LONG-TERM DEBT—Excluding current portion	1,297,813	27,437	(20,404)	1,304,846
ESTIMATED SELF-INSURANCE OBLIGATIONS	85,398	11,873	-	97,271
CAPITAL LEASE OBLIGATIONS—Excluding current portion	15,884	7,546	-	23,430
PENSION LIABILITY	687,327	-	-	687,327
OTHER LIABILITIES	258,824	30,278	-	289,102
Total liabilities	3,984,480	402,646	(90,646)	4,296,480
NET ASSETS:				
Unrestricted:				
Noncontrolling interest in subsidiaries	19,888	133,732	-	153,620
SSMH unrestricted net assets	1,743,792	250,938	(90,975)	1,903,755
Total unrestricted net assets	1,763,680	384,670	(90,975)	2,057,375
Temporarily restricted	38,241	53,234	(37,808)	53,667
Permanently restricted	25,737	17,168	(17,168)	25,737
Total net assets	1,827,658	455,072	(145,951)	2,136,779
TOTAL	$5,812,138	$857,718	$(236,597)	$6,433,259

See notes to consolidating information.

SSM HEALTH

CONSOLIDATING SCHEDULE—BALANCE SHEET INFORMATION
AS OF DECEMBER 31, 2014
(In thousands)

	Credit Group	Other Entities	Eliminations	Total
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 50,209	$ 45,350	$ -	$ 95,559
Investments	69,396	73,268	-	142,664
Current portion of assets limited as to use	170,070	45,283	-	215,353
Patient accounts receivable—less allowance for uncollectible accounts	471,736	19,717	(18,907)	472,546
Premium receivable—less allowance for uncollectible accounts	-	7,334	-	7,334
Other receivables	177,032	30,061	(21,212)	185,881
Inventories, prepaid expenses, and other	101,398	8,369	(1,822)	107,945
Estimated third-party payor settlements	14,584	5	(4,598)	9,991
Total current assets	1,054,425	229,387	(46,539)	1,237,273
ASSETS LIMITED AS TO USE OR RESTRICTED—Excluding current portion	1,988,122	353,101	-	2,341,223
PROPERTY AND EQUIPMENT—Net	1,865,603	70,434	-	1,936,037
OTHER ASSETS:				
Deferred financing costs—net	7,886	-	-	7,886
Goodwill	92,349	20,082	-	112,431
Intangible assets —net	241,407	43,706	-	285,113
Investments in unconsolidated entities	221,915	6,759	(150,297)	78,377
Other	30,332	306	(22,141)	8,497
Total other assets	593,889	70,853	(172,438)	492,304
TOTAL	$5,502,039	$723,775	$(218,977)	$6,006,837
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Revolving line of credit	$ 100,000	$ 188	$ -	$ 100,188
Current portion of long-term debt and capital lease obligations	35,243	574	(480)	35,337
Accounts payable, accrued expenses, and other current liabilities	569,763	263,329	(46,276)	786,816
Commercial paper	199,937	-	-	199,937
Short-term borrowings	300,000	-	-	300,000
Unearned premiums	-	19,084	-	19,084
Payable under securities lending agreements	125,553	717	-	126,270
Estimated third-party payor settlements	114,977	26	-	115,003
Total current liabilities	1,445,473	283,918	(46,756)	1,682,635
LONG-TERM DEBT—Excluding current portion	1,355,027	29,190	(22,141)	1,362,076
ESTIMATED SELF-INSURANCE OBLIGATIONS	72,572	10,024	-	82,596
CAPITAL LEASE OBLIGATIONS—Excluding current portion	16,575	6,365	-	22,940
PENSION LIABILITY	717,619	-	-	717,619
OTHER LIABILITIES	259,471	29,727	-	289,198
Total liabilities	3,866,737	359,224	(68,897)	4,157,064
NET ASSETS:				
Unrestricted:				
Noncontrolling interest in subsidiaries	18,678	2,629	-	21,307
SSMH unrestricted net assets	1,555,514	303,503	(98,080)	1,760,937
Total unrestricted net assets	1,574,192	306,132	(98,080)	1,782,244
Temporarily restricted	35,607	41,676	(35,258)	42,025
Permanently restricted	25,503	16,743	(16,742)	25,504
Total net assets	1,635,302	364,551	(150,080)	1,849,773
TOTAL	$5,502,039	$723,775	$(218,977)	$6,006,837

See notes to consolidating information.

SSM HEALTH

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

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

See notes to consolidating information.

SSM HEALTH

CONSOLIDATING SCHEDULE—STATEMENT OF OPERATIONS INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014
(In thousands)

	Credit Group	Other Entities	Eliminations	Total
OPERATING REVENUES AND OTHER SUPPORT:				
Net patient service revenues before provision for uncollectible accounts	$3,748,429	$ 249,286	$(435,184)	$3,562,531
Less provision for uncollectible accounts	(187,445)	(13,944)	-	(201,389)
Net patient service revenues	3,560,984	235,342	(435,184)	3,361,142
Premiums earned	85,871	1,168,505	(61,169)	1,193,207
Investment income	16,386	33,598	-	49,984
Income from unconsolidated entities, net	12,451	9,430	-	21,881
Other revenue	239,825	260,571	(236,078)	264,318
Net assets released from restrictions	120	5,084	-	5,204
Total operating revenues and other support	3,915,637	1,712,530	(732,431)	4,895,736
OPERATING EXPENSES:				
Salaries and benefits	1,954,497	514,362	(208,800)	2,260,059
Medical claims	-	924,631	(460,827)	463,804
Supplies	670,675	48,190	-	718,865
Professional fees and other	834,825	238,294	(66,477)	1,006,642
Interest	50,113	3,479	(846)	52,746
Depreciation and amortization	204,386	24,433	-	228,819
Impairment loss	18,322	-	-	18,322
Total operating expenses	3,732,818	1,753,389	(736,950)	4,749,257
INCOME (LOSS) FROM OPERATIONS	182,819	(40,859)	4,519	146,479
NONOPERATING GAINS AND (LOSSES):				
Investment income	59,613	1,012	-	60,625
Loss from early extinguishment of debt	(2,316)	-	-	(2,316)
Other — net	547	(50)	-	497
Total nonoperating gains — net	57,844	962	-	58,806
EXCESS OF REVENUES OVER EXPENSES BEFORE CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS AND INCOME TAXES	240,663	(39,897)	4,519	205,285
CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS	(56,231)	(764)	-	(56,995)
EXCESS OF REVENUES OVER EXPENSES BEFORE INCOME TAXES	184,432	(40,661)	4,519	148,290
INCOME TAX (BENEFIT) EXPENSE	(7,396)	8,333	-	937
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	$ 191,828	$ (48,994)	$ 4,519	$ 147,353
EXCESS OF REVENUES OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	$ 4,709	$ 188	-	$ 4,897
EXCESS OF REVENUE OVER EXPENSES, Net of noncontrolling interest	$ 187,119	$ (49,182)	$ 4,519	$ 142,456

See notes to consolidating information.

1. PRINCIPLES OF INCLUSION

The Credit Group is made up of SSMHCC and its wholly owned Designated Affiliates as defined in the Master Trust Indenture, including the activities, assets, and liabilities of wholly owned and partially owned subsidiaries that are consolidated under generally accepted accounting principles. As of April 1, 2014, the list of Credit Group members was amended to include most DHS entities, excluding DHP and DHI. The Credit Group does not include SSMH's physician group practices, charitable foundations, SSM-SLUH, and the interests of SSMH in various other minor subsidiaries and ancillary joint ventures that are referred to herein as "Other Entities". In 2015 and 2014, the assets of the Credit Group represented 87 percent and 88 percent of the consolidated total, and the total operating revenues represented 71 percent and 69 percent of the consolidated total, respectively. As of January 1, 2016, SSM-SLUH became part of the Credit Group.

2. PRESENTATION

Entities included in the Credit Group do not reflect their equity interest in Other Entities on their balance sheets, except for beneficial interest in foundations.

3. OBLIGATIONS

Included in Other Entities are certain entities with negative net assets totaling $54,073 and $52,147 at December 31, 2015 and 2014, respectively. The Credit Group may be required to provide operating capital to these entities to ensure their solvency.

* * * * * *