SSM Health

(formerly known as SSM Health Care)

Consolidated Financial Statements as of and for the Years Ended December 31, 2014 and 2013, Additional Information as of and for the Years Ended December 31, 2014 and 2013, and Independent Auditors' Report

SSM HEALTH

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of SSM Health Care Corporation and its subsidiaries (doing business as SSM Health) (SSMH) which comprise the consolidated balance sheets as of December 31, 2014 and 2013, 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 SSM Health Care Corporation and its subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their 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 31, 2015

SSM HEALTH

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2014 AND 2013
(In thousands)

	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 95,559	$ 68,175
Investments	142,664	155,644
Current portion of assets limited as to use	215,353	279,369
Patient accounts receivable, less allowance for uncollectible accounts of $123,002 in 2014 and $145,955 in 2013	472,546	527,906
Premium receivable, less allowance for uncollectible accounts of $1,000 in 2014 and 2013	7,334	6,665
Other receivables	185,881	121,657
Inventories, prepaid expenses, and other	107,945	96,022
Estimated third-party payor settlements	9,991	11,795
Total current assets	1,237,273	1,267,233
ASSETS LIMITED AS TO USE OR RESTRICTED — Excluding current portion	2,341,223	2,205,677
PROPERTY AND EQUIPMENT — Net	1,936,037	1,861,258
OTHER ASSETS:		
Deferred financing costs — net of accumulated amortization of $2,200 in 2014 and $2,261 in 2013	7,886	6,373
Goodwill	112,431	127,254
Intangibles — net	285,113	311,389
Investments in unconsolidated entities	78,377	78,126
Other	8,497	10,095
Total other assets	492,304	533,237
TOTAL	$6,006,837	$5,867,405
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Revolving line of credit	$ 100,188	$ 85,225
Current portion of long-term debt and capital lease obligations	35,337	51,201
Accounts payable, accrued expenses and other current liabilities	786,816	666,284
Commercial paper	199,937	-
Short-term borrowings	300,000	400,000
Unearned premiums	19,084	39,683
Payable under securities lending agreements	126,270	207,345
Estimated third-party payor settlements	115,003	133,404
Total current liabilities	1,682,635	1,583,142
LONG-TERM DEBT — Excluding current portion	1,362,076	1,313,245
ESTIMATED SELF-INSURANCE OBLIGATIONS	82,596	68,070
CAPITAL LEASE OBLIGATIONS — Excluding current portion	22,940	23,650
UNFUNDED PENSION LIABILITY	717,619	667,307
OTHER LIABILITIES	289,198	244,507
Total liabilities	4,157,064	3,899,921
NET ASSETS:		
Unrestricted:		
Noncontrolling interest in subsidiaries	21,307	20,323
SSM Health unrestricted net assets	1,760,937	1,882,118
Total unrestricted net assets	1,782,244	1,902,441
Temporarily restricted	42,025	42,756
Permanently restricted	25,504	22,287
Total net assets	1,849,773	1,967,484
TOTAL	$6,006,837	$5,867,405

See notes to consolidated financial statements.

SSM HEALTH

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In thousands)

	2014	2013
OPERATING REVENUES AND OTHER SUPPORT:		
Net patient service revenues before provision for uncollectible accounts	$ 3,562,531	$ 3,317,151
Less provision for uncollectible accounts	(201,389)	(204,694)
Net patient service revenues	3,361,142	3,112,457
Premiums earned	1,193,207	360,880
Investment income	49,984	70,311
Income from unconsolidated entities, net	21,881	19,979
Other revenue	264,318	245,336
Net assets released from restrictions	5,204	5,675
Total operating revenues and other support	4,895,736	3,814,638
OPERATING EXPENSES:		
Salaries and benefits	2,260,059	2,031,947
Medical claims	463,804	141,988
Supplies	718,865	615,335
Professional fees and other	1,006,642	857,457
Interest	52,746	46,686
Depreciation and amortization	228,819	188,811
Impairment loss	18,322	6,735
Total operating expenses	4,749,257	3,888,959
INCOME (LOSS) FROM OPERATIONS	146,479	(74,321)
NONOPERATING GAINS AND (LOSSES):		
Investment income	60,625	140,744
Loss from early extinguishment of debt	(2,316)	-
Other — net	497	372
Total nonoperating gains — net	58,806	141,116
EXCESS OF REVENUES OVER EXPENSES BEFORE CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS AND INCOME TAXES	205,285	66,795
CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS	(56,995)	61,539
EXCESS OF REVENUES OVER EXPENSES BEFORE INCOME TAXES	148,290	128,334
INCOME TAX EXPENSE	937	1,672
EXCESS OF REVENUES OVER EXPENSES	147,353	126,662
EXCESS OF REVENUES OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	4,897	4,699
EXCESS OF REVENUE OVER EXPENSES — Net of noncontrolling interest	$ 142,456	$ 121,963

(Continued)

SSM HEALTH

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In thousands)

	2014	2013
UNRESTRICTED NET ASSETS:		
Excess of revenues over expenses	$ 147,353	$ 126,662
Gains (losses) on investments — net	-	(1,610)
Pension-related changes other than net periodic pension cost	(265,456)	268,606
Net assets released from restrictions for property acquisitions	2,311	3,909
Distributions to noncontrolling owners	(3,913)	(3,618)
Other — net	(492)	1,616
(Decrease) increase in unrestricted net assets	(120,197)	395,565
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions for charity care and other programs	7,136	7,930
Gains on investments — net	1,578	3,454
Net assets released from restrictions for operations	(5,204)	(5,675)
Net assets released from restrictions for property acquisitions	(2,311)	(3,909)
Other — net	(1,930)	213
(Decrease) increase in temporarily restricted net assets	(731)	2,013
PERMANENTLY RESTRICTED NET ASSETS:		
Contributions for charity care and other programs	827	343
Gains on investments — net	419	1,120
Other — net	1,971	1,824
Increase in permanently restricted net assets	3,217	3,287
CHANGE IN NET ASSETS	(117,711)	400,865
NET ASSETS — Beginning of year	1,967,484	1,566,619
NET ASSETS — End of year	$ 1,849,773	$ 1,967,484

See notes to consolidated financial statements.

(Concluded)

SSM HEALTH

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In thousands)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (117,711)	$ 400,865
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Pension-related changes other than net periodic pension cost	265,456	(268,606)
Depreciation and amortization	228,819	188,927
Loss on early extinguishment of debt	2,316	-
Impairment loss	18,322	6,735
Provision for uncollectible accounts and bad debts	206,462	204,872
Contributions restricted for long-term investment	(1,190)	(1,843)
Distributions (contributions) to/from noncontrolling owners — net	3,913	3,608
Gains and losses on investments — net	(78,986)	(178,672)
Equity in earnings of unconsolidated entities	(21,881)	(19,979)
Change in valuation of investments in unconsolidated entities	328	123
Change in fair value of interest rate swaps	56,995	(61,539)
Loss on disposal of assets	576	253
Changes in assets and liabilities:		
Investments	12,980	(30,257)
Patient accounts receivable	(146,029)	(157,571)
Premiums receivable	(669)	2,660
Other receivables, inventories, prepaid expenses, and other	(86,828)	(6,668)
Accounts payable, accrued expenses, and other liabilities	60,055	(19,903)
Other changes to unfunded pension liability	(212,014)	30,468
Estimated self-insurance obligations	14,863	(13,270)
Net cash provided by operating activities	205,777	80,203
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(250,373)	(169,967)
Proceeds from disposal of property and equipment	2,098	291
Purchase of assets limited as to use or restricted	(3,837,993)	(2,231,523)
Proceeds from sales of assets limited as to use or restricted	3,742,026	2,202,781
Contributions to unconsolidated entities	(114)	(4,962)
Distributions from unconsolidated entities	11,047	10,301
Acquisition of hospitals and health care entities — net of cash received	(466)	(153,412)
Purchases of other assets	(25,331)	(44,757)
Proceeds from sales of other assets	30,945	11,133
Net cash used in investing activities	(328,161)	(380,115)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	589,810	-
Payments on long-term debt	(557,740)	(45,222)
Debt issuance costs	(4,474)	(76)
Contributions restricted for long-term investment	1,190	1,843
Contributions from noncontrolling owners	-	10
Distributions to noncontrolling owners	(3,913)	(3,618)
Proceeds from notes payable	-	400,000
Payments on notes payable	(400,000)	-
Proceeds from patient loans	12,381	-
Payments on patient loans	(2,386)	-
Proceeds from short-term borrowings and commercial paper	499,937	-
Proceeds from revolving line-of-credit	202,000	50,000
Payments on revolving line-of-credit	(187,037)	(62,430)
Net cash provided by financing activities	149,768	340,507
NET INCREASE IN CASH AND CASH EQUIVALENTS	27,384	40,595
CASH AND CASH EQUIVALENTS — Beginning of year	68,175	27,580
CASH AND CASH EQUIVALENTS — End of year	$ 95,559	$ 68,175

See notes to consolidated financial statements.

1. ORGANIZATION

SSM Health (SSMH) is a multi-institutional 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 which 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 18 acute care hospitals, one children's hospital, two long-term care facilities, 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).

SSMH was previously known as SSM Health Care (SSMHC). On November 17, 2014, the organization changed the system name to SSM Health to better reflect the organization's transformation to an integrated health delivery network.

On April 16, 2013, SSMH and Dean Health Systems, Inc. (DHS) entered into a merger agreement whereby DHS would become a wholly owned subsidiary of SSMH. The merger was finalized on September 1, 2013. DHS includes a large multi-specialty physician group; Dean Health Plan (DHP), a health maintenance organization; Navitus Health Solutions, LLC (Navitus), a national pharmacy benefit management company; and various subsidiary organizations. DHS is a taxable corporation under the IRC. See Note 11 for further discussion of the impact of this merger agreement and other merger/ acquisition activity.

Prior to November 15, 2013, SSMH was sponsored by the Franciscan Sisters of Mary (FSM). As of November 15, 2013, with Vatican approval, FSM transitioned sponsorship of SSMH to SSM Health Ministries. SSM Health Ministries is an independent 8-member body comprised 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. Operating consolidated results of DHS are included for the period September 1, 2013 through December 31, 2013 and for the year ended December 31, 2014, as further described in Note 11. 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 U.S. 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 re-payment of the remaining loan balance from SSMH. Because SSMH is responsible for the re-payment 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. At December 31, 2014, the outstanding loan balance under this agreement is $9,995 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 due to Navitus 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.

Premiums Receivable and Unearned Premiums — Premiums are recognized in the period for which services are covered. Premiums 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 $72,010 and $62,189 at December 31, 2014 and 2013, respectively. These amounts are included in inventories, prepaid expenses, and other.

Assets Limited as to use or Restricted — Assets limited as to use include investments and other assets set aside by the Board of Directors 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% 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.

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% 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 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. As a result, there is at least a reasonable possibility that recorded estimates of fair value and impairment will change by a material amount.

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 acquired in business combinations is not amortized, but instead is subject to impairment tests performed at least annually. 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. Goodwill is evaluated for possible impairment by comparing the fair value of a reporting unit with its carrying value, including the goodwill assigned to that reporting unit. Fair value of a reporting unit is estimated using a combination of income-based and market-based valuation methodologies. Under the income approach, forecasted cash flows of a reporting unit are discounted to a present value using a discount rate commensurate with the risks of those cash flows. Under the market approach, the fair value of a reporting unit is estimated based on the revenues and earnings multiples based on recent transactions involving comparable entities. An impairment is recorded if the carrying value of the goodwill exceeds its implied fair value. The determination of a reporting unit's fair value requires management to make significant assumptions regarding estimated future cash flows and long-term growth rates. As a result, there is at least a reasonable possibility that recorded estimates of fair value and impairment will change.

Intangibles — Intangible assets include capitalized computer software costs, tradenames, non-compete 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 intangibles 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 2014 or 2013.

Software Costs — Capitalized computer software costs include internally developed software. Costs incurred in developing and installing internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage. Capitalized software costs and related accumulated amortization expense 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.

Unfunded Pension Liability — Unfunded 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 2014, SSMH recorded $265,456 to increase unfunded 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. In 2013, SSMH recorded $268,606 to decrease unfunded pension liability and increase unrestricted net assets. The 2013 gain was a result of higher discount rates as well as strong investment returns.

Other Liabilities — Other liabilities include various deferred compensation plans, the fair value of interest rate swaps 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% owned or controlled entities 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 revenues of $1,193,207 and $360,880 for the years ended December 31, 2014 and 2013, respectively. Capitation revenues are included in premium revenues.

Effective January 1, 2011, SSMH and Dean Health Systems, Inc. entered into a risk sharing arrangement for certain health care services provided to members of Dean Health Insurance, Inc. (DHI) and Dean Health Plan, Inc. (DHP). Under the risk sharing arrangement, a percentage of the DHI and DHP premiums are paid into various pools for which SSMH assumes a portion of the risk. Payments are made from the pools for certain covered services. SSMH receives disbursements from the pools for their share of the accumulated surplus or pays into the pools for their share of the accumulated deficit. Total payments received during the eight month period ended August 31, 2013 for services, net of accumulated deficits, were $105,693 which is included within net patient service revenues. Payments received subsequent to August 31, 2013 were eliminated on consolidation.

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 $40,528 for the year ended December 31, 2014 and $5,294 for the period from September 1, 2013 to December 31, 2013. Recoveries consist mainly of drug company volume discounts, Centers for Medicare and Medicaid Services (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 estimates are changed 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 hedge funds, real estate investments, and partnership interests at fair value. 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 $7,003 and $10,603 for the years ended December 31, 2014 and 2013, 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% federally funded and administered by the states. The Centers for Medicare and Medicaid Services (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, 2014 and 2013, certain of SSMH's entities satisfied the CMS AIU and/or meaningful use criteria. As a result, SSMH recognized approximately $7,044 and $3,799 of Medicaid EHR incentive payments as other revenue for the years ended December 31, 2014 and 2013, respectively. SSMH recognized $24,166 and $13,408 of Medicare EHR incentive payments as other revenue for the years ended December 31, 2014 and 2013, respectively. SSMH recorded $14,963 and $14,866 of Medicare EHR as deferred revenue at December 31, 2014 and 2013, 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); and pension related changes other than net periodic pension cost.

Consolidated Statements of Operations — For 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 $18,733 and $13,110 for the years ended December 31, 2014 and 2013, 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 2014 or 2013.

Use of Estimates — The preparation of the consolidated financial statements in conformity with U.S. 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 intangibles, self-insurance obligations, unfunded pension liability and other liabilities. Actual results could differ from those estimates.

Non-Cash Transactions — During the years ended December 31, 2014 and 2013, SSMH had the following non-cash transactions:

	2014	2013
Collateral received under securities lending program	$ 81,075	$ 10,157
Property and equipment purchases included in accounts payable	17,080	12,367
Acquisition of health care entities included in other liabilities	2,329	4,762
Capital leases	187	-
Acquisition of hospital and health care entities	-	42,690

Premium Stabilization and Cost Sharing Reduction Programs — During 2014, under the Affordable Care Act (ACA), three programs (collectively referred to as Premium Stabilization Programs) designed to stabilize health insurance markets and an additional program (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 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 August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 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). 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 reporting periods beginning after December 15, 2016. SSMH does not expect a material impact on the consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers: Topic 606* (ASU 2014-09). ASU 2014-09 will enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, reduce the number of requirements which 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 reporting periods beginning after December 15, 2016. SSMH is currently evaluating the potential impact on the consolidated financial statements.

In April 2014, the FASB issued ASU No. 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). 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. SSMH will adopt ASU 2014-08 in reporting periods beginning after December 15, 2014. SSMH does not expect a material impact on the consolidated financial statements.

In February 2013, the FASB issued ASU No. 2013-04, *Liabilities (Topic 405), Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date* (ASU 2013-04). ASU 2013-04 requires SSMH to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date as the sum of the amount SSMH agreed to pay on the basis of its arrangement amount the co-obligors and any additional amount that SSMH expects to pay on behalf of its co-obligors. ASU 2013-04 was effective for SSMH as of January 1, 2014, and did not have an impact on SSMH's consolidated financial statements.

In July 2011, FASB issued ASU No. 2011-06, *Other Expenses (Topic 720), Fees Paid to the Federal Government by Health Insurers* (ASU 2011-06) which provides guidance regarding how health insurers should recognize and classify fees mandated by the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, Health Insurance Reform Legislation). The Health Insurance Reform Legislation imposes a nondeductible annual fee on health insurers for each calendar year beginning on January 1, 2014. ASU 2011-06 requires that the liability for the fee should be estimated and recorded in full once SSMH provides qualifying insurance coverage in the applicable calendar year in which the fee is payable, with a corresponding deferred cost that is amortized to expense over the calendar year. ASU 2011-06 was effective for SSMH as of January 1, 2014, and did not have a material 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 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 as follows. 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.

	2014	2013
Cost of charity care	$ 83,015	$ 92,871
Cost of uncollectible accounts	80,539	86,340

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 SSMH private third-party payors in that location. The total discounts provided to uninsured patients under this policy were $220,779 and $214,638 for the years ended December 31, 2014 and 2013, 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, 2014, SSMH recognized $207,619 in revenue and $143,608 in expenses relating to these programs. For the year ended December 31, 2013, SSMH recognized $187,907 in revenue and $137,466 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:

	2014	2013
Medicare	$1,082,333	$ 895,907
Medicaid	471,242	446,431
Managed Care	1,589,468	1,561,920
Other	419,488	412,893
Net patient service revenue before provision for uncollectible accounts	$3,562,531	$3,317,151

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

	2014	2013
Medicare	30 %	27 %
Medicaid	13	14
Managed Care	45	47
Other	12	12
	100 %	100 %

In 2014 and 2013, net patient service revenues increased (decreased) by $402 and ($66,806), respectively, relating to changes in estimates for prior years' settlements from Medicare, Medicaid and other programs. Of the 2013 decrease, $61,244 was based upon an adverse ruling rendered by CMS. During a periodic cost report audit performed by the Medicare intermediary in Oklahoma, the intermediary identified potential issues with the calculation of the disproportionate share hospital (DSH) payments paid to SSMH's Oklahoma facility. The specific issue identified was whether the care furnished for children and adolescents in an adolescent psychiatric program at SSMH's Oklahoma facility is similar in acuity to services that are usually paid for under Medicare's inpatient hospital prospective payment system. As of December 31, 2013, CMS had rendered a ruling for full repayment of the DSH payments received and recognized as revenue attributable to the adolescent psychiatric program for the year ended December 31, 2006. Management anticipates that this ruling will be applied to the remainder of the years 2004 – 2005 and 2007 – 2013. As a result, during the year ended December 31, 2013, SSMH recorded a liability for full repayment for this period, of which $61,244 related to prior years.

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 non-emergency 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 hospital basis and is based upon the aging of accounts receivable by payor class, historical collection experience and other relevant factors. SSMH has not changed its charity care, allowance for uncollectible accounts or uninsured discount policies during the years ended December 31, 2014 and 2013.

The mix of net receivables from patients and third-party payors as of December 31, 2014 and 2013, was as follows:

	2014	**2013**
Medicare	21 %	22 %
Medicaid	9	11
Managed Care	37	40
Other	33	27
	100 %	100 %

6. ASSETS LIMITED AS TO USE OR RESTRICTED

The SSMH Board of Directors has 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, 2014 and 2013, is as follows:

	2014	2013
Assets limited as to use:		
Board designated for property and equipment, long-term employee benefit programs, and other	$2,144,500	$1,981,683
Securities on deposit as required by state regulators	16,328	19,802
Held by trustee:		
Project funds	14,897	-
Bond funds	5,875	5,995
Self-insurance (Note 14)	166,175	175,176
Funds held in escrow (Note 11)	15,002	30,002
Collateral held under securities lending agreements	126,270	207,345
	328,219	418,518
Assets restricted by donor as to use:		
Temporarily restricted	42,025	42,756
Permanently restricted	25,504	22,287
	67,529	65,043
Total assets limited as to use or restricted	2,556,576	2,485,046
Less current portion	215,353	279,369
Noncurrent portion	$2,341,223	$2,205,677

A summary of investment income for the years ended December 31, 2014 and 2013, is as follows:

	2014	2013
Interest and dividends	$ 46,501	$ 35,347
Realized and unrealized gains on investments — net	66,105	144,342
Unrealized gains on pre-existing interest in acquired entities	-	23,571
Realized gains on cost basis investments	-	10,759
Total	$112,606	$214,019

The change in net unrealized (loss) gain on investments at December 31, 2014 and 2013 was $(24,167) and $77,665, respectively.

Investment income (loss) is reported as follows:

	2014	2013
Operating investment income	$ 49,984	$ 70,311
Nonoperating investment income	60,625	140,744
Gains (losses) on investments — net — unrestricted net assets	-	(1,610)
Gains on investments — net — temporarily restricted net assets	1,578	3,454
Gains on investments — net — permanently restricted net assets	419	1,120
Total	$ 112,606	$ 214,019

The securities on loan are included in the following classifications:

	2014	2013
Equity securities	$ 77,826	$ 91,238
Government securities	30,913	97,955
Corporate obligations	13,971	13,970
Total	$ 122,710	$ 203,163

SSMH recorded net investment income of $579 and $571 on these transactions for the years ended December 31, 2014 and 2013, 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 sale of an asset or paid upon 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 non-performance 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 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, 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 — Restricted —Cash equivalents that trade on a regular basis in active markets are classified as Level 1 in the fair value hierarchy. Cash equivalents also include investments in highly liquid debt instruments that trade on a regular basis and are valued using the closing price reported on the applicable exchange on which the security is traded, which are classified as Level 2 investments within the fair value hierarchy.

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.

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. Commingled funds 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 or are estimated using quoted market prices for similar securities and are classified as Level 1 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. Partnership interests are categorized as Level 3 in the fair value hierarchy as they have a redemption restriction of greater than 90 days.

Credit Derivatives — Credit derivatives consist of interest rate and credit default swaps, for which fair values are estimated utilizing the terms of the swaps and publicly available market yield curves along with SSMH’s nonperformance risk as observed through the credit default swap market and bond market and based on prices for recent trades. These credit derivatives are classified as Level 2 within the fair value hierarchy.

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. Hedge funds are categorized as Level 2 unless they have a redemption restriction greater than 90 days, in which they are categorized as Level 3.

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. Real estate investment funds that are valued using net asset values have redemption restrictions greater than 90 days, therefore, all real estate investments are categorized as Level 3 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 comprised primarily of short-term securities. The fair value of the commingled collateral fund are 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 and are classified as Level 2 within the fair value hierarchy.

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 $18,322 was written off in full due to an impairment loss of the same amount, which was included in operating expenses for the year ended December 31, 2014. 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 non-pooled assets.

SSMH has corrected the presentation of certain investments within the investments fair value classification disclosure for 2013, reflecting the fact that certain investments previously determined to be Level 1 investments are in fact Level 2 investments, as well as certain investments previously determined to be Level 3 investments are in fact Level 2 investments. In the accompanying 2013 fair value disclosure, $226,910 of investments previously presented as Level 1 investments have now been properly presented as Level 2 investments, and $37,076 of investments previously presented as Level 3 investments have now been properly presented as Level 2 investments.

Following is a summary of assets and liabilities measured at fair value on a recurring basis and nonrecurring basis by the level of significant input:

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
Commingled funds:				
Domestic	-	130,577	-	130,577
International	-	93,699	-	93,699
Emerging markets	-	70,631	-	70,631
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
Partnership interests	-	-	19,973	19,973
Credit derivatives	-	(1,377)	-	(1,377)
Hedge funds	-	39,469	156,603	196,072
Real estate investments	-	-	146,261	146,261
Guaranteed fixed funds	-	5,525	-	5,525
Pooled separate accounts	-	4,392	-	4,392
Securities lending — investment in State Street commingled fund	-	126,270	-	126,270
Total assets	$ 1,130,638	$ 1,226,345	$322,837	$ 2,679,820
Liabilities — interest rate swaps	$ -	$ 142,907	$ -	$ 142,907
Nonrecurring fair value measurements — goodwill	$ -	$ -	$ -	$ -

2013	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents — restricted	$ 232,790	$ -	$ -	$ 232,790
Corporate obligations	-	273,146	-	273,146
Government securities	-	243,330	-	243,330
Commingled funds — International	-	212,242	-	212,242
Mutual funds:				
Domestic	579,769	-	-	579,769
International	76,266		-	76,266
Fixed income	15,833	-	-	15,833
Emerging markets	57,249	-	-	57,249
Equities:				
Small cap	26,833	-	-	26,833
Mid cap	91,603	-	-	91,603
Large cap	253,885	-	-	253,885
Partnership interests	-	-	19,252	19,252
Hedge funds	-	37,076	151,919	188,995
Real estate investments	-	-	130,049	130,049
Guaranteed fixed funds	-	5,537	-	5,537
Pooled separate accounts	-	3,959	-	3,959
Securities lending — investment in State Street Commingled fund	-	207,345	-	207,345
Total assets	$ 1,334,228	$ 982,635	$ 301,220	$ 2,618,083
Liabilities — interest rate swaps	$ -	$ 88,019	$ -	$ 88,019

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 2014 or 2013.

Changes related to the fair values based on Level 3 inputs for the years ended December 31, 2014 and 2013, are summarized as follows:

2014	**Hedge Funds**	**Partnership Interests**	**Real Estate Investments**
Assets:			
Beginning balance	$ 151,919	$ 19,252	$ 130,049
Total gains	3,007	721	1,442
Purchases	79,395	-	22,956
Sales	(77,718)	-	(8,186)
Ending balance	$ 156,603	$ 19,973	$ 146,261

2013	**Hedge Funds**	**Partnership Interests**	**Real Estate Investments**
Assets:			
Beginning balance	$ 177,050	$ 18,249	$ 118,584
Total gains	19,830	1,081	4,415
Purchases	377,828	-	26,485
Sales	(422,789)	(78)	(19,435)
Ending balance	$ 151,919	$ 19,252	$ 130,049

Unrealized gains on Level 3 investments were $2,034 and $2,439 for 2014 and 2013, respectively, and are recorded as nonoperating investment income.

The hedge funds, certain real estate investments, and partnership interests are redeemable at NAV under the original terms of the agreements. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Assets recorded at NAV at December 31, 2014, are as follows:

December 31, 2014

	Fair Value	Redemption Frequency	Redemption Notice Period
Hedge funds (a)	$ 196,072	Monthly, Quarterly	30–90 days
Partnership interests (b)	19,973	Quarterly	45 days
Real estate investments (c)	92,034	Quarterly	45-60 days
Total	$ 308,079		

December 31, 2013

	Fair Value	Redemption Frequency	Redemption Notice Period
Hedge funds (a)	$ 188,995	Monthly, Quarterly	30–90 days
Partnership interests (b)	19,252	Quarterly	45 days
Real estate investments (c)	79,023	Quarterly	45-60 days
Total	$ 287,270		

(a) This category includes investments in hedge funds that maintain positions both long and short in equity and equity 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.

(b) 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.

(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; 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 $2,742 and $5,823 at December 31, 2014 and 2013, respectively.

8. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2014 and 2013, is as follows:

	2014	2013
Land and improvements	$ 155,026	$ 155,567
Buildings	2,297,090	2,135,722
Equipment	1,071,048	1,075,423
	3,523,164	3,366,712
Less accumulated depreciation	1,676,359	1,663,488
	1,846,805	1,703,224
Real estate held for future development	8,744	9,081
Construction in process	80,488	148,953
Total	$ 1,936,037	$ 1,861,258

Depreciation expense for the years ended December 31, 2014 and 2013, totaled $177,525 and $159,552, respectively.

The book value of equipment under capital lease obligations at December 31, 2014 and 2013, totaled $25,368 and $67,592, respectively. The related accumulated depreciation totaled $2,464 and $37,444, respectively, at December 31, 2014 and 2013. 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, 2014 and 2013:

	2014	2013
Balance — beginning of the period:		
Goodwill	$ 133,989	$ 31,955
Accumulated impairment losses	(6,735)	-
	127,254	31,955
Goodwill acquired during the year	3,499	102,034
Impairment losses	(18,322)	(6,735)
	(14,823)	95,299
Balance — end of the period:		
Goodwill	137,488	133,989
Accumulated impairment losses	(25,057)	(6,735)
	$ 112,431	$ 127,254

SSMH performed its annual goodwill impairment test for the DHS reporting units at July 1, 2014 and determined that the carrying value of the Dean Clinics 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 $18,322 was recognized in the year ended December 31, 2014. No impairment was recognized on the goodwill for the remaining DHS reporting units.

During the valuation of Audrain Health Care Inc., SSMH determined that impairment indicators existed at the acquisition date. A goodwill impairment loss of $6,735 was recognized in the year ended December 31, 2013. The fair value of the entity was estimated using the net present value of future cash flows.

The following table provides information regarding other intangible assets for the years ended December 31, 2014 and 2013:

	2014		2013	
	Gross Carrying Amount	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
Amortized intangible assets:				
Software	$ 289,390	$ 171,346	$ 263,659	$ 131,884
Noncompete agreements	1,353	1,176	1,353	1,152
Tradename	119,742	12,143	119,742	3,647
Customer contracts	60,100	3,617	60,100	278
Favorable leasehold interests	3,630	967	3,630	332
Certificates of need	1,277	1,177	1,277	1,169
Medical records	876	855	876	845
Other	113	87	113	54
Total	$ 476,481	$ 191,368	$ 450,750	$ 139,361

The weighted-average amortization period for the intangible assets subject to amortization is approximately 8.3 years. There are no expected residual values related to these intangible assets. Amortization expense on these intangible assets was $50,272 and $28,461 during the years ended December 31, 2014 and 2013, respectively.

For the year ended December 31, 2013, the total amount assigned to intangible assets due to acquisitions was $238,653, consisting of $117,100 for tradenames, $60,100 for customer contracts, $59,144 for software, and $2,309 for favorable leasehold assets.

Estimated future amortization of intangibles with finite useful lives as of December 31, 2014 is as follows:

Years Ending December 31	
2015	$ 46,453
2016	42,367
2017	36,248
2018	28,287
2019	24,279

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, 2014 and 2013, as operating revenues:

	2014	2013
Income from operations	$ 22,007	$ 25,851
Losses from operations	(126)	(5,872)
Net income from operations	$ 21,881	$ 19,979

The total carrying amount of cost-method investments was $6,638 and $6,967 at December 31, 2014 and 2013, 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.

During 2013, Premier, Inc., a national healthcare 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. This transaction reduced SSMH's investment in Premier to $1,967 at December 31, 2013, and resulted in a realized gain of $10,759 which was included in operating investment income. 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. 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 $1,639 and $1,967 at December 31, 2014 and 2013, respectively.

11. BUSINESS ACQUISITIONS

SSMH entered into the following significant acquisition activities during the years ended December 31, 2014 and 2013.

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

Prior to the acquisition, SSMH owned 25% 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.

Dean Health Systems, Inc. — Effective April 16, 2013, SSMH and DHS (a Wisconsin based company) entered into an Agreement and Plan of Merger with DHS and its subsidiaries becoming wholly owned subsidiaries of SSMH on September 1, 2013. Prior to the acquisition, SSMH owned 5% of the outstanding stock of DHS, accounted for under the cost method of accounting, 47% of the outstanding stock of DHI and 47% of Dean Health Holdings, LLC (DHH), both accounted for under the equity method of accounting, with DHS owning the remaining 53% interest.

In addition, SSMH and DHS were previously joint venture partners, each owning 50% in St. Mary's Dean Ventures (SMDV), Wisconsin Integrated Information Technology and Telemedicine Systems, LLC (WIITTS), and Dean Clinic and St. Mary's Hospital Accountable Care Organization, LLC (ACO). Prior to the acquisition of DHS, SSMH accounted for its interest in each joint venture under the equity method of accounting.

Prior to the acquisition, SSMH reported its investment in all of the aforementioned entities within investments in unconsolidated entities in the consolidated balance sheets.

DHS's assets include more than 60 clinics in Wisconsin, DHP, Navitus, and various subsidiary organizations. The clinics and their 500 physicians provide primary, specialty and tertiary care. DHP is a provider-based health maintenance organization in South Central Wisconsin serving more than 400,000 members. Navitus provides pharmacy benefit administration services to a variety of clients on a national scale, including health plans and self-funded employer groups, covering over 3.0 million lives at December 31, 2014. The primary purpose of the merger between SSMH and DHS is to enhance the alignment of strategic initiatives, improve the delivery and efficiency of patient care, utilize the combined resources of both organizations more effectively and provide for greater financial strength.

SSMH completed the acquisition of the outstanding stock of DHS for consideration of $363,373. Consideration consisted of cash of $315,921, escrow deposit of $30,000, settlement of a non-compete agreement of $11,914, accounts payable of $4,762 and settlement of liabilities of $776. Through the acquisition of DHS, SSMH also acquired the remaining 53% of the outstanding stock of DHI and DHH and the remaining interest in all DHS subsidiary organizations. SSMH recorded related goodwill of $95,299.

The non-compete agreement of $11,914 existed between SSMH and SMDV prior to the acquisition. The settlement of liabilities of $776 related to distributions from DHS to shareholders. Both of these pre-existing relationships are considered additional consideration when settled at the acquisition date.

SSMH recorded a gain of $23,571 related to the acquisition which is recorded in operating investment income. The acquisition-date fair value of previously held equity interests in DHS and its subsidiaries was $160,133. The fair value of these interests was determined by applying a lack of control discount to the equity values for each pre-existing interest on a controlling marketable basis as determined by a discounted cash flow model. The gain consisted of a gain of $28,038 due to the remeasurement of SSMH's previous investments in DHS and its subsidiaries at their acquisition-date fair value. The gain also included unrealized gains on available for sale securities totaling $1,571 and the loss from interest rate swaps totaling $6,038 which were reclassified from unrestricted net assets. These are included in the calculation of the gain as of the acquisition date.

The acquisition related costs incurred by SSMH in relation to the transaction are $9,646 and are recorded in professional fees and other.

Summarized balance sheet information for DHS and its subsidiaries at September 1, 2013 is shown below:

Cash	$ 161,109
Current assets	408,204
Property and equipment	250,432
Goodwill	95,299
Intangible assets	238,653
Noncurrent assets	4,470
Current liabilities	(494,093)
Long-term debt	(106,921)
Other noncurrent liabilities	(33,647)

At the acquisition date, the fair value of receivables approximated gross contractual amounts less provisions for uncollectible accounts. Operating results for DHS and its subsidiaries for the period September 1, 2013 through December 31, 2013 include total unrestricted revenue of $466,906, operating income of $156 and excess of revenue over expenses of $6,542.

Prior to the acquisition, DHI classified its marketable securities as available for sale and included the change in unrealized gain (loss) on available-for-sale marketable securities outside of its performance indicator. SSMH recorded its share of this activity as an increase (decrease) in unrestricted net assets outside of its performance indicator.

Audrain Health Care, Inc. — Effective April 1, 2013, SSMHCC became the sole member of Audrain Health Care, Inc. (Audrain). Audrain consists of an 88-bed acute care hospital with 40 active physicians and nurse practitioners located in Mexico, Missouri and ten rural health clinics in Mexico, Missouri and the surrounding communities. SSMH acquired Audrain and recorded related goodwill of $6,735 and renamed the facility SSM Audrain Health Care, Inc. (SSM Audrain).

Summarized balance sheet information for SSM Audrain at April 1, 2013 is shown below:

Cash	$ 1,400
Current assets	10,151
Property and equipment	9,837
Goodwill	6,735
Investment in unconsolidated entity	455
Liabilities	(28,578)

At the acquisition date, the fair value of receivables approximated gross contractual amounts less provisions for uncollectible accounts. The best estimate of the amounts that will not be collected is $10,009.

Operating results of SSM Audrain for the period April 1, 2013 through December 31, 2013 included total unrestricted revenue of $35,715, operating loss of $11,475 and expenses over revenue of $11,398. Operating results include a goodwill impairment of $6,735.

The pro-forma amount of SSMH's revenue, earnings and changes in net assets had the above acquisitions occurred on January 1, 2013 are as follows:

	Unaudited 2013
Total operating revenues and other support	$4,628,579
Loss from operations	(80,793)
Excess of revenues over expenses	125,516

12. DEBT AND CAPITAL LEASE OBLIGATIONS

Debt at December 31, 2014 and 2013, consists of the following:

	2014	2013
Under the Master Indenture:		
Fixed rate:		
Series 2014A Bonds, 4.7%, due serially through 2034 (plus unamortized premium of $20,217 at December 31, 2014)	$ 256,787	$ -
Series 2010A Bonds, 4.9%, due serially through 2034 (plus unamortized premium of $2,280 and $2,468 at December 31, 2014 and 2013, respectively)	119,695	119,884
Series 2010B Bonds, 4.8%, due serially through 2034 (plus unamortized premium of $1,187 and $1,285 at December 31, 2014 and 2013, respectively)	154,157	154,255
Series 2008A Bonds, 5.0%, due serially through 2036 (less unamortized discount of $2,345 and $2,467 at December 31, 2014 and 2013, respectively)	101,655	101,533
Series 2001 Hospital Revenue Bonds, 4.65% to 5.40%, due serially through 2016	2,635	3,860
Series 1992A, 6.2%, due serially through 2015 (plus unamortized premium of $0 and $185 at December 31, 2014 and 2013, respectively)	2,600	5,235
Total fixed rate debt	637,529	384,767
Variable rate:		
Series 2014B-G Variable Rate Demand Bonds, 0.04% to 0.18% at December 31, 2014, due serially through 2044	300,000	-
Series 2014H-K Variable Rate Direct Loans, 0.22% to 0.76% at December 31, 2014, due serially through 2045	332,155	-
Series 2012A Variable Rate Direct Loans, 0.69% at December 31, 2014, due serially through 2045	108,770	108,900
Series 2012B Variable Rate Direct Loans, 0.75% at December 31, 2014, due serially through 2045	72,340	72,430
Series 2010D Variable Rate Demand Bonds, extinguished May, 2014	-	110,570
Series 2010E Variable Rate Demand Bonds, extinguished May, 2014	-	86,430
Series 2005C Variable Rate Demand Bonds, extinguished May, 2014	-	157,380
Series 2005D Variable Rate Demand Bonds, extinguished May, 2014	-	76,125
Series 2002B, Auction Rate Bonds, 0.18% at December 31, 2014, term bonds due between 2015 and 2020	31,800	47,350
Series 1998B, Auction Rate Bonds, 0.11% to 0.18% at December 31, 2014, due serially through 2019	69,700	73,950
Total variable rate debt	914,765	733,135
Taxable debt — Fixed rate direct loan, 2.2% due in annual installments through 2019	93,839	96,953
Other debt:		
Note payable to Felician Services, Inc.	42,018	41,444
Short-term note payable	-	400,000
Term loan, extinguished in March, 2014	-	46,875
Equipment loan, extinguished in March, 2014	-	1,699
Building construction loan, extinguished in March, 2014	-	42,500
Surplus notes, 0.13% at December 31, 2014, due in 2019	6,663	6,663
Notes payable, due at various dates through 2029, interest at 4.00% to 9.25%, unsecured	1,713	4,846
Capital lease obligations, at varying rates from 3.00% to 10.24% collateralized by leased equipment	23,826	29,214
Total other debt	74,220	573,241
Total debt and capital lease obligations	1,720,353	1,788,096
Less capital lease obligations, excluding current portion	22,940	23,650
Less short-term borrowings	300,000	400,000
Less current portion of long-term debt	35,337	51,201
Total long-term debt	$1,362,076	$1,313,245

SSM Health Master Indenture — SSMHCC is a member of the SSM Health Credit Group (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 DHS entities, excluding DHP and 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 $104,100 and $126,535 at December 31, 2014 and 2013, 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 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).

SSMH Taxable Debt — The debt includes a term loan agreement with a financial institution in the amount of $93,839 and $96,953 at December 31, 2014 and 2013, respectively.

Revenue Bonds — On April 1, 2013, SSMH became the sole member of Audrain and assumed all of Audrain's debt. This included the 2001 Hospital Refunding and Improvement Revenue Bonds which had a fair value of $5,020 at acquisition. These bonds are secured by the net revenues of Audrain and the assets restricted under the bond indenture agreement. In 2013, SSMH deposited $2,611 into the Debt Service Fund at the Trustee in order to satisfy all remaining principal and interest payments.

Auction Rate Bonds — The debt includes $101,500 and $121,300 at December 31, 2014 and 2013, 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% of the after-tax equivalent rate or the 30-day Tax-exempt Municipal Commercial Paper Index, but no more than 12%.

Variable Rate Bonds — The debt includes $813,265 and $611,835 at December 31, 2014 and 2013, 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, 2014, are supported through self-liquidity. The remaining variable rate bonds were issued as funded direct placements that do not require liquidity support.

Acquisition of DHS — As of August 31, 2013, SSMH assumed $106,921 in debt upon the acquisition of DHS. As collateral for DHS's obligations under the term loan and senior secured notes, which are included in other long-term notes payable at $1,539 at December 31, 2013, DHS and certain of its subsidiaries granted a first priority lien on certain bank accounts, accounts receivable, marketable securities, and selected real and personal property currently owned or subsequently acquired. The debt included a building construction loan and an equipment loan in the aggregate amount of $44,199 at December 31, 2013. On March 28, 2014, SSMH drew on its revolving line of credit in order to fund the early payoff of both the building construction loan and the equipment loan as well as outstanding swaps. 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 year ended December 31, 2014 and the period from September 1, 2013 to December 31, 2013 was 0.13% and 0.15%, respectively.

Note Payable to FSI — On July 1, 2007, SSMH entered into an installment note payable to the Felician Services, Inc. (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.

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 $574 and $612 for the years ended December 31, 2014 and 2013, respectively, from the fair value at July 1, 2007, which is reflected in interest expense.

Liquidity Agreements — 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
2015	$ 34,451	$ 334,451	$ 2,787
2016	33,362	33,362	2,652
2017	32,964	32,964	2,632
2018	29,906	29,906	2,667
2019	31,099	31,099	2,663
Thereafter	1,513,406	1,213,406	31,562
	1,675,188	1,675,188	44,963
Plus amount representing net premium	21,339	21,339	
Less amount representing interest under capital lease obligations			21,137
Plus capital lease principal payments	23,826	23,826	$ 23,826
Total debt and capital lease obligations	$ 1,720,353	$ 1,720,353	

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 underfunded pension liability. Annual interest rates charged during the year ended December 31, 2014 were 0.08% to 0.22%.

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, 2014 was 0.46%. The line is secured under SSMHC's existing Master Trust Indenture. At December 31, 2014, SSMH had outstanding borrowings on this line of $100,000. At December 31, 2013, SSMH had four line of credit agreements with banks totaling $180,000; there were no outstanding borrowings on these lines.

At December 31, 2013, DHS had a direct-pay letter of credit (LOC) facility to support a commercial paper program whereby DHS was the issuer and obligor. At December 31, 2013, the combined commercial paper annual interest rate and LOC spread in effect was 2.4% and the commitment fee charged on any unused portion of the LOC was 0.50%. The outstanding balance under this program at December 31, 2013, was $85,000 which was included in revolving line of credit. This program was cancelled on May 14, 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 which 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 quotations 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 $1,770,264 and $1,797,577 at December 31, 2014 and 2013, respectively, compared to carrying amounts of $1,720,353 and $1,788,096, respectively.

Interest Rate Swaps — SSMH utilizes interest rate swap agreements which effectively change SSMH's interest exposure on its variable debt to fixed rates. None of these swaps has been designated as hedges of the interest payments on outstanding debt obligations for accounting purposes.

The following table shows the outstanding notional amount of derivative instruments measured at fair value as reported in other liabilities in the consolidated balance sheets as of December 31, 2014 and 2013:

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)
December 31, 2013					
Derivatives not designated as hedges — interest rate swaps	Other liabilities	2015–2035	2.90%–5.98%	$ 701,774	$ (88,019)
Total				$ 701,774	$ (88,019)

Fair value is based on significant other observable inputs (Level 2) at December 31, 2014 and 2013. The gain (loss) related to derivative instruments has been recorded for the years ended December 31, 2014 and 2013, as follows:

	Recorded as	**(Loss) Gain December 31, 2014**	**(Loss) Gain December 31, 2013**
Settled amounts	Interest expense	$ (21,596)	$ (21,129)
Unrealized (losses) gains	Change in fair value of interest rate swaps	(56,995)	61,539
Total		$ (78,591)	$ 40,410

Cash Paid for Interest — Cash paid for interest totaled $53,481 and $47,264 for the years ended December 31, 2014 and 2013, respectively. SSMH capitalized interest cost in the amounts of $5,313 and $3,409 in the years ended December 31, 2014 and 2013, respectively.

13. PENSION

SSMH administers several qualified and non-qualified pension plans for its employees. On April 1, 2013, the Pension Plan of Audrain Medical Center was acquired along with the other assets and liabilities of Audrain. This acquisition resulted in an increase in benefit obligation of $23,689 and an increase in the fair value of plan assets of $11,467.

The following table summarizes the benefit obligations, the fair value of plan assets and the funded status at December 31, 2014 and 2013:

	2014	2013
Change in projected benefit obligation:		
Projected benefit obligation — beginning of period	$1,773,625	$1,847,139
Service cost, benefits earned during the period	54,871	62,921
Interest costs on projected benefit obligation	86,850	75,872
Actuarial loss (gain)	241,282	(164,451)
Acquisitions/divestitures	-	23,689
Settlements	(1,568)	-
Benefits paid	(85,355)	(71,545)
Projected benefit obligation — end of period	2,069,705	1,773,625
Change in plan assets:		
Fair value of plan assets — beginning of period	1,104,004	951,601
Actual return on plan assets	45,827	134,248
Employer contributions	283,734	78,233
Acquisitions/divestitures	-	11,467
Settlements	(1,568)	-
Benefits paid	(85,355)	(71,545)
Fair value of plan assets — end of period	1,346,642	1,104,004
Net amount recognized at end of period and funded status	$ (723,063)	$ (669,621)
Accumulated benefit obligation — end of period	$1,994,822	$1,685,143

The following is a summary of the amounts recognized in the consolidated balance sheets for the years ended December 31, 2014 and 2013:

	2014	2013
Amounts recognized in the consolidated balance sheets consist of:		
Accounts payable and accrued expenses	$ (5,444)	$ (2,314)
Unfunded pension liability	(717,619)	(667,307)
Net amount recognized	$ (723,063)	$ (669,621)
Amounts recognized in unrestricted net assets consist of:		
Beginning of year balance	$ 344,405	$ 613,012
Arising during current year — net actuarial (gains)/loss	281,753	(221,479)
Reclassified into net periodic benefit cost:		
Net actuarial loss	(44,840)	(75,671)
Prior service cost	28,543	28,543
End of year balance	$ 609,861	$ 344,405

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 $67,031 and ($28,542), respectively.

The following is a summary of the components of net periodic pension cost for the years ended December 31, 2014 and 2013:

	2014	2013
Service cost, benefits earned during the period	$ 54,871	$ 62,921
Interest costs on projected benefit obligation	86,850	75,872
Expected return on plan assets	(86,455)	(77,220)
Amortization of unrecognized:		
Prior service costs	(28,543)	(28,543)
Net loss	44,840	75,671
Net periodic pension cost	71,563	108,701
Settlement	156	-
Total cost	$ 71,719	$ 108,701

The following are the actuarial assumptions used by the pension plans to develop the components of pension expense for the years ended December 31, 2014 and 2013:

	2014	2013
Discount rates	4.85 %	3.95 %
Rates of salary increase	3.75	4.00
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, 2014 and 2013:

	2014	2013
Discount rates	4.00 %	4.85 %
Rates of salary increase	3.50	3.75

SSMH expects to contribute a minimum of $76,527 to its pension plans in 2015.

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

	Pension Benefits
2015	$ 90,264
2016	100,412
2017	140,947
2018	125,610
2019	134,385
Years 2020–2024	723,672

The actual plan asset allocations and the allocation goals comprise the following investment classifications at December 31, 2014 and 2013:

	2014	2013	Allocation Goals
Cash, cash equivalents, and short-term investments	16 %	2 %	2 %
Equities	41	48	47
Fixed income	18	20	21
Real estate investments	13	15	15
Multi-strategy hedge funds	12	15	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 unfunded 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.

SSMH has corrected the presentation of certain investments within the investments fair value classification disclosure for 2013, reflecting the fact that certain investments in the Plan previously determined to be Level 1 investments are in fact Level 2 investments, as well as certain investments previously determined to be Level 3 investments are in fact Level 2 investments. In the accompanying 2013 fair value disclosure, $162,250 of investments previously presented as Level 1 investments have now been properly presented as Level 2 investments, and $32,734 of investments previously presented as Level 3 investments have now been properly presented as Level 2 investments.

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

2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Cash and cash equivalents	$ -	$ 237,978	$ -	$ 237,978
Corporate obligations	-	93,783	-	93,783
Government securities	-	130,926	-	130,926
Comingled funds:				
Domestic	-	46,328	-	46,328
International	-	74,219	-	74,219
Emerging markets	-	57,160	-	57,160
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)
Hedge funds	-	33,473	132,726	166,199
Real estate investments	-	-	123,799	123,799
Securities lending — investment in State Street comingled fund	-	74,702	-	74,702
Total assets	416,733	748,086	256,525	1,421,344
Payable under security lending agreement	-	(74,702)	-	(74,702)
Fair value of plan assets	$ 416,733	$ 673,384	$ 256,525	$ 1,346,642

2013	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 35,902	$ -	$ -	$ 35,902
Corporate obligations	-	80,355	-	80,355
Government securities	-	65,925	-	65,925
Commingled funds — International	-	149,709	-	149,709
Mutual funds:				
Domestic	90,375	-	-	90,375
International	59,866	-	-	59,866
Emerging markets	47,179	-	-	47,179
Equities:				
Small cap	21,976	-	-	21,976
Mid cap	72,581	-	-	72,581
Large cap	194,671	-	-	194,671
Hedge funds	-	32,734	132,533	165,267
Real estate investments	-	-	119,098	119,098
Other		550		550
Securities lending — investment in State Street Commingled fund	-	113,584	-	113,584
Total assets	522,550	442,857	251,631	1,217,038
Payable under security lending agreement	-	(113,584)	-	(113,584)
Fair value of plan assets	$ 522,550	$ 329,273	$ 251,631	$ 1,103,454

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 2014 or 2013.

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

2014	Hedge Funds	Real Estate Investments
Beginning balance	$ 132,533	$ 119,098
Actual return on plan assets — realized	290	2,015
Actual return on plan assets — unrealized	2,364	(622)
Purchases, sales, and settlements — net	(2,461)	3,308
Ending balance	$ 132,726	$ 123,799

2013	Hedge Funds	Real Estate Investments
Beginning balance	$ 143,066	$ 100,992
Actual return on plan assets — realized	18,314	-
Actual return on plan assets — unrealized	(1,881)	3,823
Purchases, sales, and settlements — net	(26,966)	14,283
Ending balance	$ 132,533	$ 119,098

Unrealized gains on Level 3 investments were $1,742 and $1,942 for 2014 and 2013, respectively.

The hedge funds and certain real estate investments are redeemable at NAV under the original terms of the agreements. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Assets recorded at NAV at December 31, 2014, are as follows:

December 31, 2014	Fair Value	Redemption Frequency	Redemption Notice Period
Hedge funds (a)	$ 166,199	Monthly, Quarterly	30–90 days
Real estate investments (b)	77,928	Quarterly	45–60 days
Total	$ 244,127		

December 31, 2013	Fair Value	Redemption Frequency	Redemption Notice Period
Hedge funds (a)	$ 165,267	Monthly, Quarterly	30–90 days
Real estate investments (b)	72,623	Quarterly	45-60 days
Total	$ 237,890		

(a) This category includes investments in hedge funds that maintain positions both long and short in equity and equity 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.

(b) 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; 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 amount of $2,320 and $5,163 at December 31, 2014 and 2013, 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. Defined contribution pension expense for these plans was $12,107 and $11,551 for 2014 and 2013, respectively, and is 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 was $20,432 for the year ended December 31, 2014, and

$3,067 for the period from September 1, 2013 to December 31, 2013, which is included in salaries and benefits.

14. SELF-INSURANCE

Professional and General Liability Insurance — A majority of the members of SSMH (excluding DHS) participate in the SSMH Liability Trust I or SSMH Liability Trust II (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, 2013 to December 31, 2014
Per occurrence limits — Missouri, Oklahoma, and Illinois	$ 5,000
Annual aggregate	None

SSMH's hospitals and physicians located in Wisconsin are qualified healthcare 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 $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, 2013 to December 31, 2014
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, 2014, 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% at December 31, 2014 and 2013. 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 $78,267 and $67,106 at December 31, 2014 and 2013, respectively, of which $18,575 and $18,095 is recorded in accounts payable and accrued liabilities at December 31, 2014 and 2013, 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 limits for amounts in excess of the deductibles. DHS recognized a liability of $10,471 and $9,500 at December 31, 2014 and 2013, respectively, of which $2,048 and $1,662 is recorded in accounts payable and accrued expenses at December 31, 2014 and 2013, 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% at December 31, 2014 and 2013. 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 $61,706 and $67,617 for the years ended December 31, 2014 and 2013, respectively. DHS members are fully insured under DHP.

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, 2014 and 2013:

	2014	2013
Balance — beginning of the period	$ 9,554	$ 9,947
Retirements	(701)	(1,223)
Additions	-	524
Accretion expense	317	306
Balance — end of the period	$ 9,170	$ 9,554

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, 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

Endowment Net Asset Composition by Type of Fund as of December 31, 2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 8,225	$ 22,287	$ 30,512
Board-designated endowment funds	14,309	-	-	14,309
Total funds	$ 14,309	$ 8,225	$ 22,287	$ 44,821

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 depreciation (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

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets — beginning of year	$ 15,606	$ 7,460	$ 19,000	$ 42,066
Investment return:				
Investment income	192	1,188	1,065	2,445
Net depreciation (realized and unrealized)	561	2	55	618
Total investment return	753	1,190	1,120	3,063
Contributions	-	-	343	343
Appropriation of endowment assets for expenditure	(466)	(425)	-	(891)
Other changes - transfers in (out)	(1,584)	-	1,824	240
Endowment net assets — end of year	$ 14,309	$ 8,225	$ 22,287	$ 44,821

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, 2014 and 2013.

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 which 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, 2014 and 2013, 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, 2014 —					
Credit derivatives	$ 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, 2014:					
Credit derivatives	$ 83,092	$ (81,715)	$ 1,377	$ -	$ 1,377
Derivatives — interest rate swaps	142,907	-	142,907	-	142,907
As of December 31, 2013:					
Derivatives — interest rate swaps	$ 88,019	$ -	$ 88,019	$ -	$ 88,019

18. INCOME TAXES

The components of income tax expense for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Current tax expense:		
Federal	$ 772	$ 1,692
State	165	(20)
Current tax expense	937	1,672
Deferred tax expense — Federal	-	-
Income tax expense	$ 937	$ 1,672

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 non-current 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:

	2014	2013
Current:		
Accrued employee compensation	$ 13,809	$ 10,167
Doubtful accounts	4,824	3,940
Other non-deductible liabilities	7,914	4,688
Other	(1,457)	(1,466)
Valuation allowance	(25,090)	(17,329)
Net current	-	-
Long-term:		
Net operating loss and credit carryforwards	332,138	332,916
Depreciable and amortizable assets	(95,563)	(97,943)
Other noncurrent non-deductible liabilities	6,126	7,508
Unrealized (gains) losses	(4,173)	(3,490)
Investment in subsidiaries	(18,379)	(19,100)
Other	1,097	2,004
Valuation allowance	(221,246)	(221,895)
Net long-term	-	-
Net deferred income tax assets	$ -	$ -
Deferred tax assets	$ 370,817	$ 365,912
Deferred tax liabilities	(124,481)	(126,688)
Less valuation allowance	(246,336)	(239,224)
Net deferred taxes	$ -	$ -

As of December 31, 2014 and 2013, the deferred income tax benefits were recorded net of a valuation allowance of $246,336 and $239,224 primarily due to net operating loss (NOL) carryforwards available related to its for-profit subsidiaries which expire between 2015 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, 2014, SSMH increased the valuation allowance by an additional $7,112 based on 2014 net losses . During the year ended December 31, 2013, SSMH increased the valuation allowance by an additional $26,323 based on 2013 net losses and $26,079 for tax losses generated due to acquisitions.

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% 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 non-deductible compensation.

SSMH files income tax returns in the U.S. federal jurisdiction and in various state jurisdictions. SSMH is no longer subject to U.S. or state income tax examinations by tax authorities for years before 2010.

Cash Paid for Income Taxes — Cash paid for income taxes totaled $487 and $1,603 for the years ended December 31, 2014 and 2013, 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, 2013	$ 1,506,876	$ 1,487,644	$ 19,232
Excess of revenues over expenses	131,361	126,662	4,699
Pension related changes	268,606	268,606	-
Distributions to noncontrolling owners	(3,618)	-	(3,618)
Net assets released from restrictions	3,909	3,909	-
Contributions	10	-	10
Other — net	(4,703)	(4,703)	-
Change in unrestricted net assets	395,565	394,474	1,091
Unrestricted net assets — December 31, 2013	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

20. FUNCTIONAL EXPENSES

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

	2014	2013
Health care services	$ 4,341,340	$ 3,586,442
General and administrative	394,107	292,708
Fundraising	13,810	9,809
Total expenses	$ 4,749,257	$ 3,888,959

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, 2014, that have initial or remaining lease terms in excess of one year:

2015	$ 50,332
2016	43,233
2017	35,759
2018	31,338
2018	27,254
Thereafter	74,321
Total minimum lease payments	$ 262,237

Total rental expense was approximately $55,190 and $51,208 in 2014 and 2013, respectively.

SSMH has outstanding letters of credit of $7,159 and $15,419 at December 31, 2014 and 2013, respectively. There were no outstanding draws on these letters of credit.

At December 31, 2014, SSMH has entered into construction projects for new facilities and capital improvements to existing facilities. The commitments for these projects totaled approximately $288,303. As of December 31, 2014, SSMH has unmet commitments of approximately $94,915, which will be financed with board-designated assets, project funds or cash generated from operations. Of this amount, $15,000 will be reimbursed by a third party upon payment.

As part of acquisition agreements in Wisconsin and Missouri, SSMH has committed an additional $80,000 for facility improvements to be paid out from 2014 to 2018. Of this amount $7,042 has been spent as of December 31, 2014.

SSMH has entered into certain other income guarantees with outside entities to be paid out from 2015 through 2018 which totaled $52,373 at December 31, 2014.

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, 2014, SSMH has evaluated subsequent events for potential recognition and disclosure through March 31, 2015, 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. Additionally, there were no nonrecognized subsequent events that required disclosure

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SSM HEALTH ADDITIONAL 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
Intangibles — 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
UNFUNDED 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
SSM Health 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

SSM HEALTH

CONSOLIDATING SCHEDULE — BALANCE SHEET INFORMATION
AS OF DECEMBER 31, 2013
(In thousands)

	Credit Group	Other Entities	Eliminations	Total
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 13,550	$ 54,625	$ -	$ 68,175
Investments	111,445	44,199	-	155,644
Current portion of assets limited as to use	231,319	48,050	-	279,369
Patient accounts receivable — less allowance for uncollectible accounts	485,539	64,454	(22,087)	527,906
Premium receivable — less allowance for uncollectible accounts	-	6,665	-	6,665
Other receivables	24,858	102,571	(5,772)	121,657
Inventories, prepaid expenses, and other	75,345	22,751	(2,074)	96,022
Estimated third-party payor settlements	11,795	-	-	11,795
Total current assets	953,851	343,315	(29,933)	1,267,233
ASSETS LIMITED AS TO USE OR RESTRICTED — Excluding current portion	1,757,216	448,461	-	2,205,677
PROPERTY AND EQUIPMENT — Net	1,568,973	292,285	-	1,861,258
OTHER ASSETS:				
Deferred financing costs — net	6,261	112	-	6,373
Goodwill	28,312	98,942	-	127,254
Intangibles — net	78,264	233,125	-	311,389
Investments in unconsolidated entities	228,535	16,175	(166,584)	78,126
Other	29,413	4,093	(23,411)	10,095
Total other assets	370,785	352,447	(189,995)	533,237
TOTAL	$4,650,825	$1,436,508	$(219,928)	$5,867,405
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Revolving line of credit	$ -	$ 85,225	$ -	$ 85,225
Current portion of long-term debt and capital lease obligations	40,184	11,552	(535)	51,201
Accounts payable, accrued expenses and other current liabilities	299,817	396,076	(29,609)	666,284
Short-term borrowings	400,000	-	-	400,000
Unearned premiums	-	39,683	-	39,683
Payable under securities lending agreements	206,438	907	-	207,345
Estimated third-party payor settlements	133,396	8	-	133,404
Total current liabilities	1,079,835	533,451	(30,144)	1,583,142
LONG-TERM DEBT — Excluding current portion	1,224,489	112,168	(23,412)	1,313,245
ESTIMATED SELF-INSURANCE OBLIGATIONS	51,409	16,661	-	68,070
CAPITAL LEASE OBLIGATIONS — Excluding current portion	17,190	6,460	-	23,650
UNFUNDED PENSION LIABILITY	667,307	-	-	667,307
OTHER LIABILITIES	183,664	60,843	-	244,507
Total liabilities	3,223,894	729,583	(53,556)	3,899,921
NET ASSETS:				
Unrestricted:				
Noncontrolling interest in subsidiaries	17,445	2,878	-	20,323
SSM Health unrestricted net assets	1,350,810	647,688	(116,380)	1,882,118
Total unrestricted net assets	1,368,255	650,566	(116,380)	1,902,441
Temporarily restricted	36,389	42,440	(36,073)	42,756
Permanently restricted	22,287	13,919	(13,919)	22,287
Total net assets	1,426,931	706,925	(166,372)	1,967,484
TOTAL	$4,650,825	$1,436,508	$(219,928)	$5,867,405

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

SSM HEALTH

CONSOLIDATING SCHEDULE — STATEMENT OF OPERATIONS INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013
(In thousands)

	Credit Group	Other Entities	Eliminations	Total
OPERATING REVENUES AND OTHER SUPPORT:				
Net patient service revenues before provision for uncollectible accounts	$3,108,070	$275,147	$ (66,066)	$3,317,151
Less provision for uncollectible accounts	(190,118)	(14,576)	-	(204,694)
Net patient service revenues	2,917,952	260,571	(66,066)	3,112,457
Premiums earned	9,882	359,933	(8,935)	360,880
Investment income	52,672	17,639	-	70,311
Income from unconsolidated entities, net	8,808	11,171	-	19,979
Other revenue	195,472	265,940	(216,076)	245,336
Net assets released from restrictions	174	5,501	-	5,675
Total operating revenues and other support	3,184,960	920,755	(291,077)	3,814,638
OPERATING EXPENSES:				
Salaries and benefits	1,654,643	547,260	(169,956)	2,031,947
Medical claims	-	208,054	(66,066)	141,988
Supplies	557,580	57,759	(4)	615,335
Professional fees and other	742,135	156,700	(41,378)	857,457
Interest	43,230	4,332	(876)	46,686
Depreciation and amortization	171,319	17,492	-	188,811
Impairment loss	6,735	-	-	6,735
Total operating expenses	3,175,642	991,597	(278,280)	3,888,959
INCOME (LOSS) FROM OPERATIONS	9,318	(70,842)	(12,797)	(74,321)
NONOPERATING GAINS AND (LOSSES):				
Investment income	134,072	6,672	-	140,744
Loss from early extinguishment of debt	-	-	-	-
Other — net	496	(124)	-	372
Total nonoperating gains — net	134,568	6,548	-	141,116
EXCESS OF REVENUES OVER EXPENSES BEFORE CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS AND INCOME TAXES	143,886	(64,294)	(12,797)	66,795
CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS	60,512	1,027	-	61,539
EXCESS OF REVENUES OVER EXPENSES BEFORE INCOME TAXES	204,398	(63,267)	(12,797)	128,334
INCOME TAX (BENEFIT) EXPENSE	1,714	(42)	-	1,672
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	202,684	(63,225)	(12,797)	126,662
EXCESS OF REVENUES OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	4,350	349	-	4,699
EXCESS OF REVENUE OVER EXPENSES, Net of noncontrolling interest	$ 198,334	$ (63,574)	$ (12,797)	$ 121,963

1. PRINCIPLES OF INCLUSION

The Credit Group is made up of SSM Health Care Corporation 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, and the interests of SSMH in various other minor subsidiaries and ancillary joint ventures that are referred to herein as Other Entities. In 2014 and 2013, the assets of the Credit Group represented 88% and 76% of the consolidated total, and the total operating revenues represented 69% and 78% of the consolidated total, respectively.

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 $52,147 and $58,148 at December 31, 2014 and 2013, respectively. The Credit Group may be required to provide operating capital to these entities to ensure their solvency.

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