

PUBLIC DISCLOSURE COPY

Form **990**Department of the Treasury
Internal Revenue Service**Return of Organization Exempt From Income Tax**

OMB No. 1545-0047

2019**Open to Public Inspection**

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

▶ Do not enter social security numbers on this form as it may be made public.

▶ Go to www.irs.gov/Form990 for instructions and the latest information.

| | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|---|--|--|-------------------|--|--|--|------------|--|--|---|--|---|--|--|--|--|---|---|--|--|---|--|---|
| A For the 2019 calendar year, or tax year beginning , 2019, and ending , 20 | | | | | | | | | | | | | | | | | | | | | | | | | |
| B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return/terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending | <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td colspan="2">C Name of organization <u>NORTON HOSPITALS, INC.</u></td> <td>D Employer identification number <u>61-0703799</u></td> </tr> <tr> <td colspan="2">Doing business as</td> <td rowspan="3">E Telephone number <u>(502) 629-8263</u></td> </tr> <tr> <td>Number and street (or P.O. box if mail is not delivered to street address)</td> <td>Room/suite</td> </tr> <tr> <td colspan="2"><u>ACCOUNTING, 224 E BROADWAY, 5TH FLOOR</u></td> </tr> <tr> <td colspan="2">City or town, state or province, country, and ZIP or foreign postal code <u>LOUISVILLE, KY 40202</u></td> <td rowspan="2">G Gross receipts \$ <u>2,065,305,685</u></td> </tr> <tr> <td colspan="2">F Name and address of principal officer: <u>RUSSELL F. COX</u> <u>4967 US HIGHWAY 42 SUITE 100, LOUISVILLE, KY 40222</u></td> </tr> <tr> <td colspan="2">I Tax-exempt status: <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ◀ (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527</td> <td> H(a) Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list. (see instructions) H(c) Group exemption number ▶ </td> </tr> <tr> <td colspan="2">J Website: ▶ <u>WWW.NORTONHEALTHCARE.COM</u></td> <td></td> </tr> <tr> <td colspan="2">K Form of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶</td> <td>L Year of formation: <u>1969</u> M State of legal domicile: <u>KY</u></td> </tr> </table> | C Name of organization <u>NORTON HOSPITALS, INC.</u> | | D Employer identification number <u>61-0703799</u> | Doing business as | | E Telephone number <u>(502) 629-8263</u> | Number and street (or P.O. box if mail is not delivered to street address) | Room/suite | <u>ACCOUNTING, 224 E BROADWAY, 5TH FLOOR</u> | | City or town, state or province, country, and ZIP or foreign postal code <u>LOUISVILLE, KY 40202</u> | | G Gross receipts \$ <u>2,065,305,685</u> | F Name and address of principal officer: <u>RUSSELL F. COX</u> <u>4967 US HIGHWAY 42 SUITE 100, LOUISVILLE, KY 40222</u> | | I Tax-exempt status: <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ◀ (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527 | | H(a) Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list. (see instructions) H(c) Group exemption number ▶ | J Website: ▶ <u>WWW.NORTONHEALTHCARE.COM</u> | | | K Form of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶ | | L Year of formation: <u>1969</u> M State of legal domicile: <u>KY</u> |
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Part I Summary

| | | |
|------------------------------------|--|--|
| Activities & Governance | 1 | Briefly describe the organization's mission or most significant activities: <u>NORTON HOSPITALS, INC.'S PURPOSE IS TO PROVIDE QUALITY HEALTH CARE TO ALL THOSE WE SERVE, IN A MANNER THAT RESPONDS TO THE NEEDS OF OUR COMMUNITIES AND FAITH HERITAGE.</u> |
| | 2 | Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets. |
| | 3 | Number of voting members of the governing body (Part VI, line 1a) 3 <u>23</u> |
| | 4 | Number of independent voting members of the governing body (Part VI, line 1b) 4 <u>22</u> |
| | 5 | Total number of individuals employed in calendar year 2019 (Part V, line 2a) 5 <u>11,793</u> |
| | 6 | Total number of volunteers (estimate if necessary) 6 <u>1,740</u> |
| | 7a | Total unrelated business revenue from Part VIII, column (C), line 12 7a <u>6,946,411</u> |
| b | Net unrelated business taxable income from Form 990-T, line 39 7b <u>252,831</u> | |
| Revenue | 8 | Contributions and grants (Part VIII, line 1h) Prior Year <u>12,610,334</u> Current Year <u>10,439,382</u> |
| | 9 | Program service revenue (Part VIII, line 2g) <u>2,006,718,274</u> <u>2,051,207,997</u> |
| | 10 | Investment income (Part VIII, column (A), lines 3, 4, and 7d) <u>0</u> |
| | 11 | Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) <u>4,170,365</u> <u>2,686,374</u> |
| | 12 | Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) <u>2,023,498,973</u> <u>2,064,333,753</u> |
| Expenses | 13 | Grants and similar amounts paid (Part IX, column (A), lines 1–3) <u>0</u> |
| | 14 | Benefits paid to or for members (Part IX, column (A), line 4) |
| | 15 | Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10) <u>629,536,586</u> <u>666,284,004</u> |
| | 16a | Professional fundraising fees (Part IX, column (A), line 11e) <u>0</u> <u>0</u> |
| | b | Total fundraising expenses (Part IX, column (D), line 25) ▶ <u>0</u> |
| | 17 | Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e) <u>1,139,850,798</u> <u>1,147,632,663</u> |
| | 18 | Total expenses. Add lines 13–17 (must equal Part IX, column (A), line 25) <u>1,769,387,384</u> <u>1,813,916,667</u> |
| 19 | Revenue less expenses. Subtract line 18 from line 12 <u>254,111,589</u> <u>250,417,086</u> | |
| Net Assets or Fund Balances | 20 | Total assets (Part X, line 16) Beginning of Current Year <u>2,551,346,959</u> End of Year <u>2,777,133,873</u> |
| | 21 | Total liabilities (Part X, line 26) <u>156,881,955</u> <u>132,535,974</u> |
| | 22 | Net assets or fund balances. Subtract line 21 from line 20 <u>2,394,465,004</u> <u>2,644,597,899</u> |

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

| | | | | | |
|-------------------------------|--|--|---------------------------|---|--------------------------|
| Sign Here | Signature of officer | Date | | | |
| | <u>ADAM KEMPF, CFO</u> Type or print name and title | | | | |
| Paid Preparer Use Only | Print/Type preparer's name <u>KIM SCIFRES</u> | Preparer's signature <u>Kim Scifres</u> | Date <u>10/30/2020</u> | Check <input type="checkbox"/> if self-employed | PTIN <u>P01316095</u> |
| | Firm's name ▶ <u>CROWE LLP</u> | Firm's EIN ▶ <u>35-0921680</u> | | | |
| | Firm's address ▶ <u>9600 BROWNSBORO ROAD, SUITE 400, LOUISVILLE, KY 40241-1122</u> | Phone no. <u>(502) 326-3996</u> | | | |

May the IRS discuss this return with the preparer shown above? (see instructions) ☒ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat. No. 11282Y

Form **990** (2019)

Part III Statement of Program Service AccomplishmentsCheck if Schedule O contains a response or note to any line in this Part III ☐ Yes ☒ No

- 1** Briefly describe the organization's mission:
NORTON HOSPITALS, INC.'S PURPOSE IS TO PROVIDE QUALITY HEALTH CARE TO ALL THOSE WE SERVE, IN A
MANNER THAT RESPONDS TO THE NEEDS OF OUR COMMUNITIES AND FAITH HERITAGE.
-
- 2** Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? ☐ Yes ☒ No
 If "Yes," describe these new services on Schedule O.
- 3** Did the organization cease conducting, or make significant changes in how it conducts, any program services? ☐ Yes ☒ No
 If "Yes," describe these changes on Schedule O.
- 4** Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code:) (Expenses \$ 1,766,195,605 including grants of \$) (Revenue \$ 2,045,367,374)
NORTON HOSPITALS, INC. (NHI) WAS FORMED TO: I) PROVIDE ON A NONPROFIT BASIS, HOSPITAL OR HEALTH CARE
FACILITIES AND SERVICES FOR THE CARE AND TREATMENT OF ILL AND INJURED PERSONS AND THOSE WHO
OTHERWISE REQUIRE MEDICAL CARE AND RELATED SERVICES OF THE KIND CUSTOMARILY FURNISHED MOST
EFFECTIVELY BY HOSPITALS OR HEALTH CARE FACILITIES; II) CONDUCT EDUCATIONAL ACTIVITIES RELATED TO
RENDERING CARE TO THE SICK AND INJURED; III) PROMOTE AND CONDUCT SCIENTIFIC RESEARCH RELATED TO THE
CARE OF THE SICK AND INJURED.
NHI HAS A TOTAL OF 1,837 LICENSED BEDS, NORTON HOSPITAL - 605 BEDS; NORTON CHILDREN'S HOSPITAL - 300
BEDS; NORTON AUDUBON HOSPITAL - 432 BEDS; NORTON WOMEN'S AND CHILDREN'S HOSPITAL - 373 BEDS; AND
NORTON BROWNSBORO HOSPITAL - 127 BEDS. THESE HOSPITALS OPERATE TWENTY-FOUR (24) HOURS A DAY, SEVEN
(7) DAYS A WEEK. IN 2019, NHI'S HOSPITALS AND DIAGNOSTIC CENTERS SERVED 76,825 INPATIENTS, 596,249
OUTPATIENTS, 261,206 EMERGENCY DEPARTMENT VISITS, AND 28,534 OBSERVATION CASES. IN ADDITION, NHI'S
(CONTINUED ON SCHEDULE O)

4b (Code:) (Expenses \$ including grants of \$) (Revenue \$)

4c (Code:) (Expenses \$ including grants of \$) (Revenue \$)

4d Other program services (Describe on Schedule O.)
 (Expenses \$ including grants of \$) (Revenue \$)

4e Total program service expenses **▶** 1,766,195,605

Part IV Checklist of Required Schedules

| | Yes | No |
|--|--------------|----|
| 1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A</i> | 1 ✓ | |
| 2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? | 2 ✓ | |
| 3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i> | 3 | ✓ |
| 4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II</i> | 4 ✓ | |
| 5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III</i> | 5 | ✓ |
| 6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I</i> | 6 | ✓ |
| 7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i> | 7 | ✓ |
| 8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i> | 8 | ✓ |
| 9 Did the organization report an amount in Part X, line 21, for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV</i> | 9 | ✓ |
| 10 Did the organization, directly or through a related organization, hold assets in donor-restricted endowments or in quasi endowments? <i>If "Yes," complete Schedule D, Part V</i> | 10 ✓ | |
| 11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable. | | |
| a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i> | 11a ✓ | |
| b Did the organization report an amount for investments—other securities in Part X, line 12, that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII</i> | 11b | ✓ |
| c Did the organization report an amount for investments—program related in Part X, line 13, that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII</i> | 11c | ✓ |
| d Did the organization report an amount for other assets in Part X, line 15, that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX</i> | 11d ✓ | |
| e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i> | 11e ✓ | |
| f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X</i> | 11f | ✓ |
| 12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i> | 12a | ✓ |
| b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i> | 12b ✓ | |
| 13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i> | 13 | ✓ |
| 14a Did the organization maintain an office, employees, or agents outside of the United States? | 14a | ✓ |
| b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Parts I and IV.</i> | 14b | ✓ |
| 15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? <i>If "Yes," complete Schedule F, Parts II and IV</i> | 15 | ✓ |
| 16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? <i>If "Yes," complete Schedule F, Parts III and IV.</i> | 16 | ✓ |
| 17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I (see instructions)</i> | 17 | ✓ |
| 18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i> | 18 | ✓ |
| 19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i> | 19 | ✓ |
| 20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i> | 20a ✓ | |
| b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? | 20b ✓ | |
| 21 Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or domestic government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> | 21 | ✓ |

Part IV Checklist of Required Schedules (continued)

| | Yes | No |
|--|------------|----|
| 22 Did the organization report more than \$5,000 of grants or other assistance to or for domestic individuals on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III | 22 | ✓ |
| 23 Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? If "Yes," complete Schedule J | 23 | ✓ |
| 24a Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a | 24a | ✓ |
| b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? | 24b | |
| c Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? | 24c | |
| d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? | 24d | |
| 25a Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I | 25a | ✓ |
| b Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I | 25b | ✓ |
| 26 Did the organization report any amount on Part X, line 5 or 22, for receivables from or payables to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons? If "Yes," complete Schedule L, Part II | 26 | ✓ |
| 27 Did the organization provide a grant or other assistance to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity (including an employee thereof) or family member of any of these persons? If "Yes," complete Schedule L, Part III | 27 | ✓ |
| 28 Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions, for applicable filing thresholds, conditions, and exceptions): | | |
| a A current or former officer, director, trustee, key employee, creator or founder, or substantial contributor? If "Yes," complete Schedule L, Part IV | 28a | ✓ |
| b A family member of any individual described in line 28a? If "Yes," complete Schedule L, Part IV | 28b | ✓ |
| c A 35% controlled entity of one or more individuals and/or organizations described in lines 28a or 28b? If "Yes," complete Schedule L, Part IV | 28c | ✓ |
| 29 Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M | 29 | ✓ |
| 30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M | 30 | ✓ |
| 31 Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I | 31 | ✓ |
| 32 Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II | 32 | ✓ |
| 33 Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Schedule R, Part I | 33 | ✓ |
| 34 Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1 | 34 | ✓ |
| 35a Did the organization have a controlled entity within the meaning of section 512(b)(13)? | 35a | ✓ |
| b If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Schedule R, Part V, line 2 | 35b | |
| 36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2 | 36 | ✓ |
| 37 Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI | 37 | ✓ |
| 38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note: All Form 990 filers are required to complete Schedule O. | 38 | ✓ |

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V



| | Yes | No |
|---|-----------|-----|
| 1a Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable | 1a | 232 |
| b Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable | 1b | 0 |
| c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners? | 1c | ✓ |

Part V Statements Regarding Other IRS Filings and Tax Compliance (continued)

| | | Yes | No |
|--|------------------|-----|----|
| 2a Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return | 2a 11,793 | | |
| b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note: If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions) | 2b | ✓ | |
| 3a Did the organization have unrelated business gross income of \$1,000 or more during the year? | 3a | ✓ | |
| b If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation on Schedule O | 3b | ✓ | |
| 4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)? | 4a | | ✓ |
| b If "Yes," enter the name of the foreign country See instructions for filing requirements for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR). | | | |
| 5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? | 5a | | ✓ |
| b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction? | 5b | | ✓ |
| c If "Yes" to line 5a or 5b, did the organization file Form 8886-T? | 5c | | |
| 6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? | 6a | | ✓ |
| b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? | 6b | | |
| 7 Organizations that may receive deductible contributions under section 170(c). | | | |
| a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor? | 7a | | ✓ |
| b If "Yes," did the organization notify the donor of the value of the goods or services provided? | 7b | | |
| c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? | 7c | | ✓ |
| d If "Yes," indicate the number of Forms 8282 filed during the year | 7d | | |
| e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? | 7e | | ✓ |
| f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? | 7f | | ✓ |
| g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required? | 7g | | |
| h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C? | 7h | | |
| 8 Sponsoring organizations maintaining donor advised funds. Did a donor advised fund maintained by the sponsoring organization have excess business holdings at any time during the year? | 8 | | |
| 9 Sponsoring organizations maintaining donor advised funds. | | | |
| a Did the sponsoring organization make any taxable distributions under section 4966? | 9a | | |
| b Did the sponsoring organization make a distribution to a donor, donor advisor, or related person? | 9b | | |
| 10 Section 501(c)(7) organizations. Enter: | | | |
| a Initiation fees and capital contributions included on Part VIII, line 12 | 10a | | |
| b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities | 10b | | |
| 11 Section 501(c)(12) organizations. Enter: | | | |
| a Gross income from members or shareholders | 11a | | |
| b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.) | 11b | | |
| 12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041? | 12a | | |
| b If "Yes," enter the amount of tax-exempt interest received or accrued during the year | 12b | | |
| 13 Section 501(c)(29) qualified nonprofit health insurance issuers. | | | |
| a Is the organization licensed to issue qualified health plans in more than one state? Note: See the instructions for additional information the organization must report on Schedule O. | 13a | | |
| b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans | 13b | | |
| c Enter the amount of reserves on hand | 13c | | |
| 14a Did the organization receive any payments for indoor tanning services during the tax year? | 14a | | ✓ |
| b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation on Schedule O | 14b | | |
| 15 Is the organization subject to the section 4960 tax on payment(s) of more than \$1,000,000 in remuneration or excess parachute payment(s) during the year? If "Yes," see instructions and file Form 4720, Schedule N. | 15 | | ✓ |
| 16 Is the organization an educational institution subject to the section 4968 excise tax on net investment income? If "Yes," complete Form 4720, Schedule O. | 16 | | ✓ |

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes on Schedule O. See instructions. Check if Schedule O contains a response or note to any line in this Part VI ☒

Section A. Governing Body and Management

| | Yes | No |
|---|-----------|-------------------------------------|
| 1a Enter the number of voting members of the governing body at the end of the tax year 1a 23 If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain on Schedule O. | | |
| b Enter the number of voting members included on line 1a, above, who are independent 1b 22 | | |
| 2 Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? | 2 | <input checked="" type="checkbox"/> |
| 3 Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, trustees, or key employees to a management company or other person? | 3 | <input checked="" type="checkbox"/> |
| 4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? | 4 | <input checked="" type="checkbox"/> |
| 5 Did the organization become aware during the year of a significant diversion of the organization's assets? | 5 | <input checked="" type="checkbox"/> |
| 6 Did the organization have members or stockholders? | 6 | <input checked="" type="checkbox"/> |
| 7a Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? | 7a | <input checked="" type="checkbox"/> |
| b Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? | 7b | <input checked="" type="checkbox"/> |
| 8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following: | | |
| a The governing body? | 8a | <input checked="" type="checkbox"/> |
| b Each committee with authority to act on behalf of the governing body? | 8b | <input checked="" type="checkbox"/> |
| 9 Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses on Schedule O | 9 | <input checked="" type="checkbox"/> |

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

| | Yes | No |
|---|------------|-------------------------------------|
| 10a Did the organization have local chapters, branches, or affiliates? | 10a | <input checked="" type="checkbox"/> |
| b If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes? | 10b | |
| 11a Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? | 11a | <input checked="" type="checkbox"/> |
| b Describe in Schedule O the process, if any, used by the organization to review this Form 990. | | |
| 12a Did the organization have a written conflict of interest policy? If "No," go to line 13 | 12a | <input checked="" type="checkbox"/> |
| b Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? | 12b | <input checked="" type="checkbox"/> |
| c Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done | 12c | <input checked="" type="checkbox"/> |
| 13 Did the organization have a written whistleblower policy? | 13 | <input checked="" type="checkbox"/> |
| 14 Did the organization have a written document retention and destruction policy? | 14 | <input checked="" type="checkbox"/> |
| 15 Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision? | | |
| a The organization's CEO, Executive Director, or top management official | 15a | <input checked="" type="checkbox"/> |
| b Other officers or key employees of the organization | 15b | <input checked="" type="checkbox"/> |
| If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions). | | |
| 16a Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? | 16a | <input checked="" type="checkbox"/> |
| b If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements? | 16b | <input checked="" type="checkbox"/> |

Section C. Disclosure

17 List the states with which a copy of this Form 990 is required to be filed ► NONE

18 Section 6104 requires an organization to make its Forms 1023 (1024 or 1024-A, if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
☐ Own website ☒ Another's website ☒ Upon request ☐ Other (explain on Schedule O)

19 Describe on Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.

20 State the name, address, and telephone number of the person who possesses the organization's books and records ►
HELENA SCHULZ, ACCOUNTING, 224 E BROADWAY, 5TH FL, LOUISVILLE, KY 40202, (502) 629-8263

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent ContractorsCheck if Schedule O contains a response or note to any line in this Part VII ☒**Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees****1a** Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.

- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."

- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.

- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.

- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

See instructions for the order in which to list the persons above.

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

| (A) Name and title | (B) Average hours per week (list any hours for related organizations below dotted line) | (C) Position (do not check more than one box, unless person is both an officer and a director/trustee) | | | | | | (D) Reportable compensation from the organization (W-2/1099-MISC) | (E) Reportable compensation from related organizations (W-2/1099-MISC) | (F) Estimated amount of other compensation from the organization and related organizations |
|--|--|--|-----------------------|---------|--------------|------------------------------|--------|--|---|---|
| | | Individual trustee or director | Institutional trustee | Officer | Key employee | Highest compensated employee | Former | | | |
| (1) MICHAEL W. GOUGH EXEC VP AND COO | 10.0 40.0 | | | ✓ | | | | 0 | 2,563,340 | 136,304 |
| (2) RUSSELL F. COX PRESIDENT & CEO/TRUSTEE | 10.0 40.0 | ✓ | | ✓ | | | | 0 | 2,348,374 | 190,805 |
| (3) MICHAEL HAHN, M.D. PHYSICIAN | 50.0 0.0 | | | | | ✓ | | 1,302,472 | 0 | 54,175 |
| (4) YONG CHA, M.D. PHYSICIAN | 50.0 0.0 | | | | | ✓ | | 1,257,039 | 0 | 60,856 |
| (5) AARON SPALDING, M.D. PHYSICIAN | 50.0 0.0 | | | | | ✓ | | 1,242,677 | 0 | 62,955 |
| (6) SHAWN GLISSON, M.D. PHYSICIAN | 50.0 0.0 | | | | | ✓ | | 1,073,877 | 0 | 50,687 |
| (7) MARK CORNETT, M.D. PHYSICIAN | 50.0 0.0 | | | | | ✓ | | 989,922 | 0 | 54,321 |
| (8) JOSEPH FLYNN, D.O. CAO NMG - PHYSICIAN -IN-CHIEF NCI | 50.0 0.0 | | | | ✓ | | | 864,582 | 0 | 138,884 |
| (9) ROBERT B. AZAR SR VP CHIEF LEGAL OFFICER/SECRETARY | 10.0 40.0 | | | ✓ | | | | 0 | 807,725 | 127,164 |
| (10) ADAM KEMPF SR VP, CFO/TREASURER | 10.0 40.0 | | | ✓ | | | | 0 | 771,597 | 145,046 |
| (11) THOMAS KMETZ FORMER DIVISION PRESIDENT WOMEN AND CHILDREN SERVICES | 0.0 0.0 | | | | | | ✓ | 599,625 | 0 | 119,385 |
| (12) STEPHEN WILLIAMS FORMER CEO | 0.0 0.0 | | | | | | ✓ | 0 | 593,451 | 23,710 |
| (13) CHARLOTTE IPSAN HOSPITAL CAO | 50.0 0.0 | | | | ✓ | | | 485,050 | 0 | 97,978 |
| (14) MATTHEW AYERS HOSPITAL CAO | 50.0 0.0 | | | | ✓ | | | 481,980 | 0 | 88,811 |

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Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

| (A) Name and title | (B) Average hours per week (list any hours for related organizations below dotted line) | (C) Position (do not check more than one box, unless person is both an officer and a director/trustee) | | | | | | (D) Reportable compensation from the organization (W-2/1099-MISC) | (E) Reportable compensation from related organizations (W-2/1099-MISC) | (F) Estimated amount of other compensation from the organization and related organizations |
|--|--|--|-----------------------|---------|--------------|------------------------------|--------|--|---|---|
| | | Individual trustee or director | Institutional trustee | Officer | Key employee | Highest compensated employee | Former | | | |
| (15) JON COOPER HOSPITAL CAO | 50.0 0.0 | | | | ✓ | | | 451,965 | 0 | 84,983 |
| (16) ANDREW STRAUSBAUGH HOSPITAL CAO | 50.0 0.0 | | | | ✓ | | | 434,735 | 0 | 84,311 |
| (17) MARY GRUEBBEL FORMER, VP PATIENT CARE SVC/CNO | 0.0 0.0 | | | | | | ✓ | 185,183 | 0 | 4,477 |
| (18) BARRY PENNYBAKER TRUSTEE | 1.0 2.5 | ✓ | | | | | | 0 | 3,200 | 0 |
| (19) EDIE NIXON VICE CHAIR | 1.0 7.5 | ✓ | | | | | | 0 | 3,200 | 0 |
| (20) JAMES L. SUBLETT, M.D. TRUSTEE | 1.0 2.5 | ✓ | | | | | | 0 | 3,200 | 0 |
| (21) MARIA GERWING HAMPTON TRUSTEE (PARTIAL YEAR) | 1.0 4.5 | ✓ | | | | | | 0 | 3,200 | 0 |
| (22) MARTHA K. HEYBURN, M.D. TRUSTEE | 1.0 2.5 | ✓ | | | | | | 0 | 3,200 | 0 |
| (23) RICK GUILLAUME CHAIR EMERITUS | 1.0 3.5 | ✓ | | | | | | 0 | 3,200 | 0 |
| (24) RONALD LEHOCKY, M.D. TRUSTEE | 1.0 4.5 | ✓ | | | | | | 0 | 3,200 | 0 |
| (25) (SEE STATEMENT) | | | | | | | | | | |
| 1b Subtotal | | | | | | | | 9,369,107 | 7,106,887 | 1,524,854 |
| c Total from continuation sheets to Part VII, Section A | | | | | | | | 0 | 20,800 | 0 |
| d Total (add lines 1b and 1c) | | | | | | | | 9,369,107 | 7,127,687 | 1,524,854 |

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **▶** 449

| | Yes | No |
|--|-----|----|
| 3 Did the organization list any former officer, director, trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i> | 3 ✓ | |
| 4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i> | 4 ✓ | |
| 5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i> | 5 | ✓ |

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

| (A) Name and business address | (B) Description of services | (C) Compensation |
|---|--------------------------------|---------------------|
| MESSER CONSTRUCTION CO., 11001 PLANTSIDE DR., LOUISVILLE, KY 40299 | CONSTRUCTION | 71,507,109 |
| UNIVERSITY OF LOUISVILLE, 323 E CHESTNUT ST, SUITE 312, LOUISVILLE, KY 40202 | RESIDENCY PROGRAM | 11,949,704 |
| HARSHAW TRANE SERVICE, 12700 PLANTSIDE DR., LOUISVILLE, KY 40299 | EQUIPMENT AND REPAIR | 7,532,036 |
| NORTHSTAR ANESTHESIA OF KY II PLLC, 6225 N STATE HWY 161, SUITE 200, IRVING, TX 75038 | ANESTHESIA SERVICES | 6,822,445 |
| ABEL CONSTRUCTION CO. INC., 2401 STANLEY GAULT PARKWAY, LOUISVILLE, KY 40223 | CONSTRUCTION | 6,700,445 |

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization **▶** 154

Part VIII Statement of RevenueCheck if Schedule O contains a response or note to any line in this Part VIII ☐

| | | | | (A) Total revenue | (B) Related or exempt function revenue | (C) Unrelated business revenue | (D) Revenue excluded from tax under sections 512-514 | |
|---|--|---|----------------|----------------------|--|--------------------------------------|---|--|
| Contributions, Gifts, Grants and Other Similar Amounts | 1a | Federated campaigns | 1a | | | | | |
| | b | Membership dues | 1b | | | | | |
| | c | Fundraising events | 1c | | | | | |
| | d | Related organizations | 1d | 10,439,382 | | | | |
| | e | Government grants (contributions) | 1e | | | | | |
| | f | All other contributions, gifts, grants, and similar amounts not included above | 1f | | | | | |
| | g | Noncash contributions included in lines 1a-1f | 1g | \$ | | | | |
| | h | Total. Add lines 1a-1f ▶ | | | 10,439,382 | | | |
| Program Service Revenue | | | | Business Code | | | | |
| | 2a | NET PATIENT REVENUE | 621110 | 2,049,774,662 | 2,042,999,181 | 6,775,481 | | |
| | b | HEALTHCARE EDUCATION | 611710 | 1,433,335 | 1,433,335 | | | |
| | c | | | | | | | |
| | d | | | | | | | |
| | e | | | | | | | |
| | f | All other program service revenue | | 0 | 0 | 0 | 0 | |
| | g | Total. Add lines 2a-2f ▶ | | | 2,051,207,997 | | | |
| Other Revenue | 3 | Investment income (including dividends, interest, and other similar amounts) ▶ | | | | | | |
| | 4 | Income from investment of tax-exempt bond proceeds ▶ | | | | | | |
| | 5 | Royalties ▶ | | | | | | |
| | 6a | Gross rents | (i) Real | (ii) Personal | | | | |
| | 6a | | 1,084,135 | | | | | |
| | b | Less: rental expenses | 6b | 971,932 | | | | |
| | c | Rental income or (loss) | 6c | 112,203 | 0 | | | |
| | d | Net rental income or (loss) ▶ | | | 112,203 | | 112,203 | |
| | 7a | Gross amount from sales of assets other than inventory | (i) Securities | (ii) Other | | | | |
| | 7a | | | | | | | |
| | b | Less: cost or other basis and sales expenses | 7b | | | | | |
| | c | Gain or (loss) | 7c | 0 | 0 | | | |
| | d | Net gain or (loss) ▶ | | | | | | |
| | 8a | Gross income from fundraising events (not including \$ of contributions reported on line 1c). See Part IV, line 18 | 8a | | | | | |
| | b | Less: direct expenses | 8b | | | | | |
| | c | Net income or (loss) from fundraising events ▶ | | | | | | |
| | 9a | Gross income from gaming activities. See Part IV, line 19 | 9a | | | | | |
| | b | Less: direct expenses | 9b | | | | | |
| | c | Net income or (loss) from gaming activities ▶ | | | | | | |
| | 10a | Gross sales of inventory, less returns and allowances | 10a | | | | | |
| b | Less: cost of goods sold | 10b | | | | | | |
| c | Net income or (loss) from sales of inventory ▶ | | | | | | | |
| Miscellaneous Revenue | | | | Business Code | | | | |
| | 11a | PURCHASING CO-OP INC. | 561499 | 1,015,287 | 844,357 | 170,930 | | |
| | b | PARKING INCOME | 812930 | 1,468,383 | | | 1,468,383 | |
| | c | RETAIL RX SALES | 900099 | 18,368 | 18,368 | | | |
| | d | All other revenue | 9000099 | 72,133 | 72,133 | 0 | 0 | |
| | e | Total. Add lines 11a-11d ▶ | | | 2,574,171 | | | |
| 12 | Total revenue. See instructions ▶ | | | 2,064,333,753 | 2,045,367,374 | 6,946,411 | 1,580,586 | |

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX ☐**Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.**

| | (A) Total expenses | (B) Program service expenses | (C) Management and general expenses | (D) Fundraising expenses |
|---|-----------------------|---------------------------------|--|-----------------------------|
| 1 Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21 | | | | |
| 2 Grants and other assistance to domestic individuals. See Part IV, line 22 | | | | |
| 3 Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16 | | | | |
| 4 Benefits paid to or for members | | | | |
| 5 Compensation of current officers, directors, trustees, and key employees | 2,255,292 | 2,255,292 | | |
| 6 Compensation not included above to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) | 308,390 | 308,390 | | |
| 7 Other salaries and wages | 532,788,092 | 532,788,092 | | |
| 8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions) | 28,941,495 | 28,941,495 | | |
| 9 Other employee benefits | 65,302,444 | 65,302,444 | | |
| 10 Payroll taxes | 36,688,291 | 36,688,291 | | |
| 11 Fees for services (nonemployees): | | | | |
| a Management | | | | |
| b Legal | | | | |
| c Accounting | | | | |
| d Lobbying | | | | |
| e Professional fundraising services. See Part IV, line 17 | | | | |
| f Investment management fees | | | | |
| g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O.) | 156,503,968 | 156,503,968 | 0 | 0 |
| 12 Advertising and promotion | | | | |
| 13 Office expenses | 8,340,968 | 8,340,968 | | |
| 14 Information technology | | | | |
| 15 Royalties | | | | |
| 16 Occupancy | 22,233,642 | 22,233,642 | | |
| 17 Travel | 909,924 | 909,924 | | |
| 18 Payments of travel or entertainment expenses for any federal, state, or local public officials | | | | |
| 19 Conferences, conventions, and meetings | | | | |
| 20 Interest | 39,970,611 | 39,970,611 | | |
| 21 Payments to affiliates | | | | |
| 22 Depreciation, depletion, and amortization | 71,206,147 | 71,206,147 | | |
| 23 Insurance | 12,710,613 | 12,710,613 | | |
| 24 Other expenses. Itemize expenses not covered above (List miscellaneous expenses on line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.) | | | | |
| a <u>MEDICAL SUPPLIES</u> | 525,673,255 | 525,673,255 | | |
| b <u>ALLOCATED SUPPORT</u> | 268,095,853 | 220,374,791 | 47,721,062 | |
| c <u>PROVIDER TAX</u> | 20,129,732 | 20,129,732 | | |
| d <u>REPAIRS & MAINTENANCE</u> | 16,411,920 | 16,411,920 | | |
| e All other expenses | 5,446,030 | 5,446,030 | 0 | 0 |
| 25 Total functional expenses. Add lines 1 through 24e | 1,813,916,667 | 1,766,195,605 | 47,721,062 | 0 |
| 26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) | | | | |

Part X Balance SheetCheck if Schedule O contains a response or note to any line in this Part X ☐

| | | (A) Beginning of year | | (B) End of year |
|--|--|--------------------------|---------------|--------------------|
| Assets | 1 Cash—non-interest-bearing | 8,900 | 1 | 9,000 |
| | 2 Savings and temporary cash investments | | 2 | |
| | 3 Pledges and grants receivable, net | | 3 | |
| | 4 Accounts receivable, net | 210,952,565 | 4 | 226,547,434 |
| | 5 Loans and other receivables from any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons | 0 | 5 | 0 |
| | 6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), and persons described in section 4958(c)(3)(B) | 0 | 6 | 0 |
| | 7 Notes and loans receivable, net | | 7 | |
| | 8 Inventories for sale or use | 54,383,711 | 8 | 56,299,747 |
| | 9 Prepaid expenses and deferred charges | 2,422,181 | 9 | 2,403,879 |
| | 10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D | 10a 1,858,929,799 | | |
| | b Less: accumulated depreciation | 10b 1,022,561,504 | 10c | 836,368,295 |
| | 11 Investments—publicly traded securities | | 11 | |
| | 12 Investments—other securities. See Part IV, line 11 | 0 | 12 | 0 |
| | 13 Investments—program-related. See Part IV, line 11 | 3,072,542 | 13 | 2,545,313 |
| | 14 Intangible assets | 7,445,984 | 14 | 8,986,720 |
| | 15 Other assets. See Part IV, line 11 | 1,522,533,701 | 15 | 1,643,973,485 |
| 16 Total assets. Add lines 1 through 15 (must equal line 33) | 2,551,346,959 | 16 | 2,777,133,873 | |
| Liabilities | 17 Accounts payable and accrued expenses | 101,720,807 | 17 | 100,299,005 |
| | 18 Grants payable | | 18 | |
| | 19 Deferred revenue | | 19 | |
| | 20 Tax-exempt bond liabilities | | 20 | |
| | 21 Escrow or custodial account liability. Complete Part IV of Schedule D | | 21 | |
| | 22 Loans and other payables to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons | 0 | 22 | 0 |
| | 23 Secured mortgages and notes payable to unrelated third parties | | 23 | |
| | 24 Unsecured notes and loans payable to unrelated third parties | | 24 | |
| | 25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17–24). Complete Part X of Schedule D | 55,161,148 | 25 | 32,236,969 |
| | 26 Total liabilities. Add lines 17 through 25 | 156,881,955 | 26 | 132,535,974 |
| Net Assets or Fund Balances | Organizations that follow FASB ASC 958, check here <input checked="" type="checkbox"/> and complete lines 27, 28, 32, and 33. | | | |
| | 27 Net assets without donor restrictions | 2,383,303,240 | 27 | 2,634,171,147 |
| | 28 Net assets with donor restrictions | 11,161,764 | 28 | 10,426,752 |
| | Organizations that do not follow FASB ASC 958, check here <input type="checkbox"/> and complete lines 29 through 33. | | | |
| | 29 Capital stock or trust principal, or current funds | | 29 | |
| | 30 Paid-in or capital surplus, or land, building, or equipment fund | | 30 | |
| | 31 Retained earnings, endowment, accumulated income, or other funds | | 31 | |
| | 32 Total net assets or fund balances | 2,394,465,004 | 32 | 2,644,597,899 |
| 33 Total liabilities and net assets/fund balances | 2,551,346,959 | 33 | 2,777,133,873 | |

Form **990** (2019)

Part XI Reconciliation of Net AssetsCheck if Schedule O contains a response or note to any line in this Part XI ☒

| | | | |
|-----------|--|-----------|---------------|
| 1 | Total revenue (must equal Part VIII, column (A), line 12) | 1 | 2,064,333,753 |
| 2 | Total expenses (must equal Part IX, column (A), line 25) | 2 | 1,813,916,667 |
| 3 | Revenue less expenses. Subtract line 2 from line 1 | 3 | 250,417,086 |
| 4 | Net assets or fund balances at beginning of year (must equal Part X, line 32, column (A)) | 4 | 2,394,465,004 |
| 5 | Net unrealized gains (losses) on investments | 5 | |
| 6 | Donated services and use of facilities | 6 | |
| 7 | Investment expenses | 7 | |
| 8 | Prior period adjustments | 8 | |
| 9 | Other changes in net assets or fund balances (explain on Schedule O) | 9 | (284,191) |
| 10 | Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 32, column (B)) | 10 | 2,644,597,899 |

Part XII Financial Statements and ReportingCheck if Schedule O contains a response or note to any line in this Part XII ☐

| | Yes | No |
|---|-----|----|
| 1 Accounting method used to prepare the Form 990: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O. | | |
| 2a Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both: <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis | | ✓ |
| b Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both: <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis | ✓ | |
| c If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain on Schedule O. | ✓ | |
| 3a As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133? | | ✓ |
| b If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why on Schedule O and describe any steps taken to undergo such audits | | |

Form **990** (2019)

| (A) Name and Title | (B) Average hours per week (list any hours for related organizations below dotted line) | (C) Position (Check all that apply) | | | | | | (D) Reportable compensation from the organization (W-2/1099-MISC) | (E) Reportable compensation from related organizations (W-2/1099-MISC) | (F) Estimated amount of other compensation from the organization and related organizations |
|---|--|--|-----------------------|---------|--------------|------------------------------|--------|--|---|--|
| | | Individual trustee or director | Institutional trustee | Officer | Key employee | Highest compensated employee | Former | | | |
| (25) BRENDAN CANAVAN ----- TRUSTEE | 1.0 ----- 2.5 | ✓ | | | | | | 0 | 1,600 | 0 |
| (26) CRAIG D. GRANT ----- TRUSTEE | 1.0 ----- 4.5 | ✓ | | | | | | 0 | 1,600 | 0 |
| (27) ERWIN ROBERTS ----- TRUSTEE | 1.0 ----- 2.5 | ✓ | | | | | | 0 | 1,600 | 0 |
| (28) G. HUNT ROUNSAVALL, SR. ----- TRUSTEE | 1.0 ----- 5.5 | ✓ | | | | | | 0 | 1,600 | 0 |
| (29) GAIL LYTTLE ----- TRUSTEE | 1.0 ----- 2.5 | ✓ | | | | | | 0 | 1,600 | 0 |
| (30) GARY L. STEWART ----- CHAIR | 1.0 ----- 12.5 | ✓ | | | | | | 0 | 1,600 | 0 |
| (31) GREGORY E. MAYES ----- TRUSTEE | 1.0 ----- 6.5 | ✓ | | | | | | 0 | 1,600 | 0 |
| (32) LEE K. GARLOVE ----- TRUSTEE | 1.0 ----- 3.5 | ✓ | | | | | | 0 | 1,600 | 0 |
| (33) MARIA L. BOUVETTE ----- TRUSTEE | 1.0 ----- 2.5 | ✓ | | | | | | 0 | 1,600 | 0 |
| (34) REV WILLIAM J. SCHULTZ ----- TRUSTEE | 1.0 ----- 4.5 | ✓ | | | | | | 0 | 1,600 | 0 |
| (35) RICHARD R. IVEY ----- TRUSTEE | 1.0 ----- 2.5 | ✓ | | | | | | 0 | 1,600 | 0 |
| (36) RICHARD S. WOLF, M.D. ----- CHAIR EMERITUS | 1.0 ----- 2.5 | ✓ | | | | | | 0 | 1,600 | 0 |
| (37) SUE DAVIS, EDD, RN ----- TRUSTEE | 1.0 ----- 2.5 | ✓ | | | | | | 0 | 1,600 | 0 |
| (38) DONALD H. ROBINSON ----- TRUSTEE | 1.0 ----- 6.5 | ✓ | | | | | | 0 | 0 | 0 |
| (39) MARSHALL FARRER ----- TRUSTEE | 1.0 ----- 2.5 | ✓ | | | | | | 0 | 0 | 0 |
| (40) RITA HUDSON SHOURDS, EDD ----- TRUSTEE | 1.0 ----- 2.5 | ✓ | | | | | | 0 | 0 | 0 |

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

► **Attach to Form 990 or Form 990-EZ.**

► **Go to www.irs.gov/Form990 for instructions and the latest information.**

OMB No. 1545-0047

2019

**Open to Public
Inspection**

Name of the organization

NORTON HOSPITALS, INC.

Employer identification number

61-0703799

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is: (For lines 1 through 12, check only one box.)

- 1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E (Form 990 or 990-EZ).)
- 3 ☒ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state: _____
- 5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II.)
- 6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II.)
- 8 ☐ A community trust described in **section 170(b)(1)(A)(vi).** (Complete Part II.)
- 9 ☐ An agricultural research organization described in **section 170(b)(1)(A)(ix)** operated in conjunction with a land-grant college or university or a non-land-grant college of agriculture (see instructions). Enter the name, city, and state of the college or university: _____
- 10 ☐ An organization that normally receives: (1) more than 33 $\frac{1}{3}$ % of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 $\frac{1}{3}$ % of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2).** (Complete Part III.)
- 11 ☐ An organization organized and operated exclusively to test for public safety. See **section 509(a)(4).**
- 12 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in **section 509(a)(1)** or **section 509(a)(2).** See **section 509(a)(3).** Check the box in lines 12a through 12d that describes the type of supporting organization and complete lines 12e, 12f, and 12g.
- a ☐ **Type I.** A supporting organization operated, supervised, or controlled by its supported organization(s), typically by giving the supported organization(s) the power to regularly appoint or elect a majority of the directors or trustees of the supporting organization. **You must complete Part IV, Sections A and B.**
- b ☐ **Type II.** A supporting organization supervised or controlled in connection with its supported organization(s), by having control or management of the supporting organization vested in the same persons that control or manage the supported organization(s). **You must complete Part IV, Sections A and C.**
- c ☐ **Type III functionally integrated.** A supporting organization operated in connection with, and functionally integrated with, its supported organization(s) (see instructions). **You must complete Part IV, Sections A, D, and E.**
- d ☐ **Type III non-functionally integrated.** A supporting organization operated in connection with its supported organization(s) that is not functionally integrated. The organization generally must satisfy a distribution requirement and an attentiveness requirement (see instructions). **You must complete Part IV, Sections A and D, and Part V.**
- e ☐ Check this box if the organization received a written determination from the IRS that it is a Type I, Type II, Type III functionally integrated, or Type III non-functionally integrated supporting organization.
- f Enter the number of supported organizations
- g Provide the following information about the supported organization(s).

| (i) Name of supported organization | (ii) EIN | (iii) Type of organization (described on lines 1–10 above (see instructions)) | (iv) Is the organization listed in your governing document? | | (v) Amount of monetary support (see instructions) | (vi) Amount of other support (see instructions) |
|------------------------------------|----------|---|---|----|---|---|
| | | | Yes | No | | |
| (A) | | | | | | |
| (B) | | | | | | |
| (C) | | | | | | |
| (D) | | | | | | |
| (E) | | | | | | |
| Total | | | | | | |

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Cat. No. 11285F

Schedule A (Form 990 or 990-EZ) 2019

Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

| Calendar year (or fiscal year beginning in) ► | (a) 2015 | (b) 2016 | (c) 2017 | (d) 2018 | (e) 2019 | (f) Total |
|--|----------|----------|----------|----------|----------|-----------|
| 1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.") | | | | | | |
| 2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf | | | | | | |
| 3 The value of services or facilities furnished by a governmental unit to the organization without charge | | | | | | |
| 4 Total. Add lines 1 through 3 | | | | | | |
| 5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f) | | | | | | |
| 6 Public support. Subtract line 5 from line 4 | | | | | | |

Section B. Total Support

| Calendar year (or fiscal year beginning in) ► | (a) 2015 | (b) 2016 | (c) 2017 | (d) 2018 | (e) 2019 | (f) Total |
|---|----------|----------|----------|----------|-----------|-----------|
| 7 Amounts from line 4 | | | | | | |
| 8 Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources | | | | | | |
| 9 Net income from unrelated business activities, whether or not the business is regularly carried on | | | | | | |
| 10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.) | | | | | | |
| 11 Total support. Add lines 7 through 10 | | | | | | |
| 12 Gross receipts from related activities, etc. (see instructions) | | | | | 12 | |
| 13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here <input type="checkbox"/> | | | | | | |

Section C. Computation of Public Support Percentage

| | | |
|---|-----------|---|
| 14 Public support percentage for 2019 (line 6, column (f) divided by line 11, column (f)) | 14 | % |
| 15 Public support percentage from 2018 Schedule A, Part II, line 14 | 15 | % |
| 16a 33 1/3% support test—2019. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization <input type="checkbox"/> | | |
| b 33 1/3% support test—2018. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization <input type="checkbox"/> | | |
| 17a 10%-facts-and-circumstances test—2019. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization <input type="checkbox"/> | | |
| b 10%-facts-and-circumstances test—2018. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization <input type="checkbox"/> | | |
| 18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions <input type="checkbox"/> | | |

Part III Support Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 10 of Part I or if the organization failed to qualify under Part II.
If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

| Calendar year (or fiscal year beginning in) ► | (a) 2015 | (b) 2016 | (c) 2017 | (d) 2018 | (e) 2019 | (f) Total |
|---|----------|----------|----------|----------|----------|-----------|
| 1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.") | | | | | | |
| 2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose | | | | | | |
| 3 Gross receipts from activities that are not an unrelated trade or business under section 513 | | | | | | |
| 4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf | | | | | | |
| 5 The value of services or facilities furnished by a governmental unit to the organization without charge | | | | | | |
| 6 Total. Add lines 1 through 5 | | | | | | |
| 7a Amounts included on lines 1, 2, and 3 received from disqualified persons | | | | | | |
| b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year | | | | | | |
| c Add lines 7a and 7b | | | | | | |
| 8 Public support. (Subtract line 7c from line 6.) | | | | | | |

Section B. Total Support

| Calendar year (or fiscal year beginning in) ► | (a) 2015 | (b) 2016 | (c) 2017 | (d) 2018 | (e) 2019 | (f) Total |
|---|----------|----------|----------|----------|----------|-----------|
| 9 Amounts from line 6 | | | | | | |
| 10a Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources | | | | | | |
| b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975 | | | | | | |
| c Add lines 10a and 10b | | | | | | |
| 11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on | | | | | | |
| 12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.) | | | | | | |
| 13 Total support. (Add lines 9, 10c, 11, and 12.) | | | | | | |
| 14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here <input type="checkbox"/> | | | | | | |

Section C. Computation of Public Support Percentage

| | | |
|---|-----------|---|
| 15 Public support percentage for 2019 (line 8, column (f), divided by line 13, column (f)) | 15 | % |
| 16 Public support percentage from 2018 Schedule A, Part III, line 15 | 16 | % |

Section D. Computation of Investment Income Percentage

| | | |
|---|-----------|---|
| 17 Investment income percentage for 2019 (line 10c, column (f), divided by line 13, column (f)) | 17 | % |
| 18 Investment income percentage from 2018 Schedule A, Part III, line 17 | 18 | % |
| 19a 33 1/3% support tests—2019. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization <input type="checkbox"/> | | |
| b 33 1/3% support tests—2018. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization <input type="checkbox"/> | | |
| 20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions <input type="checkbox"/> | | |

Part IV Supporting Organizations

(Complete only if you checked a box in line 12 on Part I. If you checked 12a of Part I, complete Sections A and B. If you checked 12b of Part I, complete Sections A and C. If you checked 12c of Part I, complete Sections A, D, and E. If you checked 12d of Part I, complete Sections A and D, and complete Part V.)

Section A. All Supporting Organizations

| | Yes | No |
|---|-----|----|
| 1 Are all of the organization's supported organizations listed by name in the organization's governing documents? <i>If "No," describe in Part VI how the supported organizations are designated. If designated by class or purpose, describe the designation. If historic and continuing relationship, explain.</i> | | |
| 2 Did the organization have any supported organization that does not have an IRS determination of status under section 509(a)(1) or (2)? <i>If "Yes," explain in Part VI how the organization determined that the supported organization was described in section 509(a)(1) or (2).</i> | | |
| 3a Did the organization have a supported organization described in section 501(c)(4), (5), or (6)? <i>If "Yes," answer (b) and (c) below.</i> | | |
| b Did the organization confirm that each supported organization qualified under section 501(c)(4), (5), or (6) and satisfied the public support tests under section 509(a)(2)? <i>If "Yes," describe in Part VI when and how the organization made the determination.</i> | | |
| c Did the organization ensure that all support to such organizations was used exclusively for section 170(c)(2)(B) purposes? <i>If "Yes," explain in Part VI what controls the organization put in place to ensure such use.</i> | | |
| 4a Was any supported organization not organized in the United States ("foreign supported organization")? <i>If "Yes," and if you checked 12a or 12b in Part I, answer (b) and (c) below.</i> | | |
| b Did the organization have ultimate control and discretion in deciding whether to make grants to the foreign supported organization? <i>If "Yes," describe in Part VI how the organization had such control and discretion despite being controlled or supervised by or in connection with its supported organizations.</i> | | |
| c Did the organization support any foreign supported organization that does not have an IRS determination under sections 501(c)(3) and 509(a)(1) or (2)? <i>If "Yes," explain in Part VI what controls the organization used to ensure that all support to the foreign supported organization was used exclusively for section 170(c)(2)(B) purposes.</i> | | |
| 5a Did the organization add, substitute, or remove any supported organizations during the tax year? <i>If "Yes," answer (b) and (c) below (if applicable). Also, provide detail in Part VI, including (i) the names and EIN numbers of the supported organizations added, substituted, or removed; (ii) the reasons for each such action; (iii) the authority under the organization's organizing document authorizing such action; and (iv) how the action was accomplished (such as by amendment to the organizing document).</i> | | |
| b Type I or Type II only. Was any added or substituted supported organization part of a class already designated in the organization's organizing document? | | |
| c Substitutions only. Was the substitution the result of an event beyond the organization's control? | | |
| 6 Did the organization provide support (whether in the form of grants or the provision of services or facilities) to anyone other than (i) its supported organizations, (ii) individuals that are part of the charitable class benefited by one or more of its supported organizations, or (iii) other supporting organizations that also support or benefit one or more of the filing organization's supported organizations? <i>If "Yes," provide detail in Part VI.</i> | | |
| 7 Did the organization provide a grant, loan, compensation, or other similar payment to a substantial contributor (as defined in section 4958(c)(3)(C)), a family member of a substantial contributor, or a 35% controlled entity with regard to a substantial contributor? <i>If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).</i> | | |
| 8 Did the organization make a loan to a disqualified person (as defined in section 4958) not described in line 7? <i>If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).</i> | | |
| 9a Was the organization controlled directly or indirectly at any time during the tax year by one or more disqualified persons as defined in section 4946 (other than foundation managers and organizations described in section 509(a)(1) or (2))? <i>If "Yes," provide detail in Part VI.</i> | | |
| b Did one or more disqualified persons (as defined in line 9a) hold a controlling interest in any entity in which the supporting organization had an interest? <i>If "Yes," provide detail in Part VI.</i> | | |
| c Did a disqualified person (as defined in line 9a) have an ownership interest in, or derive any personal benefit from, assets in which the supporting organization also had an interest? <i>If "Yes," provide detail in Part VI.</i> | | |
| 10a Was the organization subject to the excess business holdings rules of section 4943 because of section 4943(f) (regarding certain Type II supporting organizations, and all Type III non-functionally integrated supporting organizations)? <i>If "Yes," answer 10b below.</i> | | |
| b Did the organization have any excess business holdings in the tax year? <i>(Use Schedule C, Form 4720, to determine whether the organization had excess business holdings.)</i> | | |

Part IV Supporting Organizations (continued)

| | Yes | No |
|--|-----|----|
| 11 Has the organization accepted a gift or contribution from any of the following persons? | | |
| a A person who directly or indirectly controls, either alone or together with persons described in (b) and (c) below, the governing body of a supported organization? | | |
| b A family member of a person described in (a) above? | | |
| c A 35% controlled entity of a person described in (a) or (b) above? If "Yes" to a, b, or c, provide detail in Part VI . | | |

Section B. Type I Supporting Organizations

| | Yes | No |
|---|-----|----|
| 1 Did the directors, trustees, or membership of one or more supported organizations have the power to regularly appoint or elect at least a majority of the organization's directors or trustees at all times during the tax year? If "No," describe in Part VI how the supported organization(s) effectively operated, supervised, or controlled the organization's activities. If the organization had more than one supported organization, describe how the powers to appoint and/or remove directors or trustees were allocated among the supported organizations and what conditions or restrictions, if any, applied to such powers during the tax year. | | |
| 2 Did the organization operate for the benefit of any supported organization other than the supported organization(s) that operated, supervised, or controlled the supporting organization? If "Yes," explain in Part VI how providing such benefit carried out the purposes of the supported organization(s) that operated, supervised, or controlled the supporting organization. | | |

Section C. Type II Supporting Organizations

| | Yes | No |
|--|-----|----|
| 1 Were a majority of the organization's directors or trustees during the tax year also a majority of the directors or trustees of each of the organization's supported organization(s)? If "No," describe in Part VI how control or management of the supporting organization was vested in the same persons that controlled or managed the supported organization(s). | | |

Section D. All Type III Supporting Organizations

| | Yes | No |
|---|-----|----|
| 1 Did the organization provide to each of its supported organizations, by the last day of the fifth month of the organization's tax year, (i) a written notice describing the type and amount of support provided during the prior tax year, (ii) a copy of the Form 990 that was most recently filed as of the date of notification, and (iii) copies of the organization's governing documents in effect on the date of notification, to the extent not previously provided? | | |
| 2 Were any of the organization's officers, directors, or trustees either (i) appointed or elected by the supported organization(s) or (ii) serving on the governing body of a supported organization? If "No," explain in Part VI how the organization maintained a close and continuous working relationship with the supported organization(s). | | |
| 3 By reason of the relationship described in (2), did the organization's supported organizations have a significant voice in the organization's investment policies and in directing the use of the organization's income or assets at all times during the tax year? If "Yes," describe in Part VI the role the organization's supported organizations played in this regard. | | |

Section E. Type III Functionally Integrated Supporting Organizations

| | | | |
|---|--|--|--|
| 1 Check the box next to the method that the organization used to satisfy the Integral Part Test during the year (see instructions). | | | |
| a <input type="checkbox"/> The organization satisfied the Activities Test. Complete line 2 below. | | | |
| b <input type="checkbox"/> The organization is the parent of each of its supported organizations. Complete line 3 below. | | | |
| c <input type="checkbox"/> The organization supported a governmental entity. Describe in Part VI how you supported a government entity (see instructions). | | | |
| 2 Activities Test. Answer (a) and (b) below. | | | |
| a Did substantially all of the organization's activities during the tax year directly further the exempt purposes of the supported organization(s) to which the organization was responsive? If "Yes," then in Part VI identify those supported organizations and explain how these activities directly furthered their exempt purposes, how the organization was responsive to those supported organizations, and how the organization determined that these activities constituted substantially all of its activities. | | | |
| b Did the activities described in (a) constitute activities that, but for the organization's involvement, one or more of the organization's supported organization(s) would have been engaged in? If "Yes," explain in Part VI the reasons for the organization's position that its supported organization(s) would have engaged in these activities but for the organization's involvement. | | | |
| 3 Parent of Supported Organizations. Answer (a) and (b) below. | | | |
| a Did the organization have the power to regularly appoint or elect a majority of the officers, directors, or trustees of each of the supported organizations? Provide details in Part VI . | | | |
| b Did the organization exercise a substantial degree of direction over the policies, programs, and activities of each of its supported organizations? If "Yes," describe in Part VI the role played by the organization in this regard. | | | |

Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations

- 1** ☐ Check here if the organization satisfied the Integral Part Test as a qualifying trust on Nov. 20, 1970 (explain in Part VI). **See instructions.** All other Type III non-functionally integrated supporting organizations must complete Sections A through E.

| Section A—Adjusted Net Income | | (A) Prior Year | (B) Current Year (optional) |
|---|-----------|----------------|-----------------------------|
| 1 Net short-term capital gain | 1 | | |
| 2 Recoveries of prior-year distributions | 2 | | |
| 3 Other gross income (see instructions) | 3 | | |
| 4 Add lines 1 through 3. | 4 | | |
| 5 Depreciation and depletion | 5 | | |
| 6 Portion of operating expenses paid or incurred for production or collection of gross income or for management, conservation, or maintenance of property held for production of income (see instructions) | 6 | | |
| 7 Other expenses (see instructions) | 7 | | |
| 8 Adjusted Net Income (subtract lines 5, 6, and 7 from line 4) | 8 | | |
| Section B—Minimum Asset Amount | | (A) Prior Year | (B) Current Year (optional) |
| 1 Aggregate fair market value of all non-exempt-use assets (see instructions for short tax year or assets held for part of year): | | | |
| a Average monthly value of securities | 1a | | |
| b Average monthly cash balances | 1b | | |
| c Fair market value of other non-exempt-use assets | 1c | | |
| d Total (add lines 1a, 1b, and 1c) | 1d | | |
| e Discount claimed for blockage or other factors (explain in detail in Part VI): | | | |
| 2 Acquisition indebtedness applicable to non-exempt-use assets | 2 | | |
| 3 Subtract line 2 from line 1d. | 3 | | |
| 4 Cash deemed held for exempt use. Enter 1-1/2% of line 3 (for greater amount, see instructions). | 4 | | |
| 5 Net value of non-exempt-use assets (subtract line 4 from line 3) | 5 | | |
| 6 Multiply line 5 by .035. | 6 | | |
| 7 Recoveries of prior-year distributions | 7 | | |
| 8 Minimum Asset Amount (add line 7 to line 6) | 8 | | |
| Section C—Distributable Amount | | | Current Year |
| 1 Adjusted net income for prior year (from Section A, line 8, Column A) | 1 | | |
| 2 Enter 85% of line 1. | 2 | | |
| 3 Minimum asset amount for prior year (from Section B, line 8, Column A) | 3 | | |
| 4 Enter greater of line 2 or line 3. | 4 | | |
| 5 Income tax imposed in prior year | 5 | | |
| 6 Distributable Amount. Subtract line 5 from line 4, unless subject to emergency temporary reduction (see instructions). | 6 | | |
| 7 <input type="checkbox"/> Check here if the current year is the organization's first as a non-functionally integrated Type III supporting organization (see instructions). | | | |

Schedule A (Form 990 or 990-EZ) 2019

Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations (continued)

| Section D—Distributions | | Current Year | |
|-------------------------|--|--------------|--|
| 1 | Amounts paid to supported organizations to accomplish exempt purposes | | |
| 2 | Amounts paid to perform activity that directly furthers exempt purposes of supported organizations, in excess of income from activity | | |
| 3 | Administrative expenses paid to accomplish exempt purposes of supported organizations | | |
| 4 | Amounts paid to acquire exempt-use assets | | |
| 5 | Qualified set-aside amounts (prior IRS approval required) | | |
| 6 | Other distributions (describe in Part VI). See instructions. | | |
| 7 | Total annual distributions. Add lines 1 through 6. | | |
| 8 | Distributions to attentive supported organizations to which the organization is responsive (provide details in Part VI). See instructions. | | |
| 9 | Distributable amount for 2019 from Section C, line 6 | | |
| 10 | Line 8 amount divided by line 9 amount | | |

| Section E—Distribution Allocations (see instructions) | (i) Excess Distributions | (ii) Underdistributions Pre-2019 | (iii) Distributable Amount for 2019 |
|--|-----------------------------|--|---|
| 1 Distributable amount for 2019 from Section C, line 6 | | | |
| 2 Underdistributions, if any, for years prior to 2019 (reasonable cause required—explain in Part VI). See instructions. | | | |
| 3 Excess distributions carryover, if any, to 2019 | | | |
| a From 2014 | | | |
| b From 2015 | | | |
| c From 2016 | | | |
| d From 2017 | | | |
| e From 2018 | | | |
| f Total of lines 3a through e | | | |
| g Applied to underdistributions of prior years | | | |
| h Applied to 2019 distributable amount | | | |
| i Carryover from 2014 not applied (see instructions) | | | |
| j Remainder. Subtract lines 3g, 3h, and 3i from 3f. | | | |
| 4 Distributions for 2019 from Section D, line 7: \$ | | | |
| a Applied to underdistributions of prior years | | | |
| b Applied to 2019 distributable amount | | | |
| c Remainder. Subtract lines 4a and 4b from 4. | | | |
| 5 Remaining underdistributions for years prior to 2019, if any. Subtract lines 3g and 4a from line 2. For result greater than zero, explain in Part VI . See instructions. | | | |
| 6 Remaining underdistributions for 2019. Subtract lines 3h and 4b from line 1. For result greater than zero, explain in Part VI . See instructions. | | | |
| 7 Excess distributions carryover to 2020. Add lines 3j and 4c. | | | |
| 8 Breakdown of line 7: | | | |
| a Excess from 2015 . . . | | | |
| b Excess from 2016 . . . | | | |
| c Excess from 2017 . . . | | | |
| d Excess from 2018 . . . | | | |
| e Excess from 2019 . . . | | | |

Schedule A (Form 990 or 990-EZ) 2019

Schedule B(Form 990, 990-EZ,
or 990-PF)Department of the Treasury
Internal Revenue Service**Schedule of Contributors**▶ Attach to Form 990, Form 990-EZ, or Form 990-PF.
▶ Go to www.irs.gov/Form990 for the latest information.

OMB No. 1545-0047

2019

Name of the organization

NORTON HOSPITALS, INC.

Employer identification number

61-0703799

Organization type (check one):**Filers of:****Section:**

Form 990 or 990-EZ

☒ 501(c)(3) (enter number) organization☐ 4947(a)(1) nonexempt charitable trust **not** treated as a private foundation☐ 527 political organization

Form 990-PF

☐ 501(c)(3) exempt private foundation☐ 4947(a)(1) nonexempt charitable trust treated as a private foundation☐ 501(c)(3) taxable private foundationCheck if your organization is covered by the **General Rule** or a **Special Rule**.**Note:** Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.**General Rule**

- ☒
- For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, contributions totaling \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II. See instructions for determining a contributor's total contributions.

Special Rules

- ☐
- For an organization described in section 501(c)(3) filing Form 990 or 990-EZ that met the 33
- ¹
- /
- ₃
- % support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), that checked Schedule A (Form 990 or 990-EZ), Part II, line 13, 16a, or 16b, and that received from any one contributor, during the year, total contributions of the greater of
- (1)**
- \$5,000; or
- (2)**
- 2% of the amount on (i) Form 990, Part VIII, line 1h; or (ii) Form 990-EZ, line 1. Complete Parts I and II.

- ☐
- For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, total contributions of more than \$1,000
- exclusively*
- for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. Complete Parts I, II, and III.

- ☐
- For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions
- exclusively*
- for religious, charitable, etc., purposes, but no such contributions totaled more than \$1,000. If this box is checked, enter here the total contributions that were received during the year for an
- exclusively*
- religious, charitable, etc., purpose. Don't complete any of the parts unless the
- General Rule**
- applies to this organization because it received
- nonexclusively*
- religious, charitable, etc., contributions totaling \$5,000 or more during the year ▶ \$ _____

Caution: An organization that isn't covered by the General Rule and/or the Special Rules doesn't file Schedule B (Form 990, 990-EZ, or 990-PF), but it **must** answer "No" on Part IV, line 2, of its Form 990; or check the box on line H of its Form 990-EZ or on its Form 990-PF, Part I, line 2, to certify that it doesn't meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

For Paperwork Reduction Act Notice, see the instructions for Form 990, 990-EZ, or 990-PF. Cat. No. 30613X Schedule B (Form 990, 990-EZ, or 990-PF) (2019)

| | |
|---|---|
| Name of organization NORTON HOSPITALS, INC. | Employer identification number 61-0703799 |
|---|---|

Part I **Contributors** (see instructions). Use duplicate copies of Part I if additional space is needed.

| (a) No. | (b) Name, address, and ZIP + 4 | (c) Total contributions | (d) Type of contribution |
|------------|-----------------------------------|----------------------------|--|
| 1 | | \$ 8,300,483 | Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.) |
| 2 | | \$ 2,138,899 | Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.) |
| | | \$ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.) |
| | | \$ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.) |
| | | \$ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.) |
| | | \$ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.) |

Name of organization

NORTON HOSPITALS, INC.

Employer identification number

61-0703799

Part II **Noncash Property** (see instructions). Use duplicate copies of Part II if additional space is needed.

| (a) No. from Part I | (b) Description of noncash property given | (c) FMV (or estimate) (See instructions.) | (d) Date received |
|---------------------------|--|---|----------------------|
| ----- | ----- ----- ----- ----- | \$ ----- | ----- |
| ----- | ----- ----- ----- ----- | \$ ----- | ----- |
| ----- | ----- ----- ----- ----- | \$ ----- | ----- |
| ----- | ----- ----- ----- ----- | \$ ----- | ----- |
| ----- | ----- ----- ----- ----- | \$ ----- | ----- |
| ----- | ----- ----- ----- ----- | \$ ----- | ----- |
| ----- | ----- ----- ----- ----- | \$ ----- | ----- |

Name of organization

NORTON HOSPITALS, INC.

Employer identification number

61-0703799

Part III

Exclusively religious, charitable, etc., contributions to organizations described in section 501(c)(7), (8), or (10) that total more than \$1,000 for the year from any one contributor. Complete columns (a) through (e) and the following line entry. For organizations completing Part III, enter the total of *exclusively* religious, charitable, etc., contributions of **\$1,000 or less** for the year. (Enter this information once. See instructions.) ► \$

Use duplicate copies of Part III if additional space is needed.

| (a) No. from Part I | (b) Purpose of gift | (c) Use of gift | (d) Description of how gift is held |
|---------------------------|---|-------------------------|--|
| ----- | ----- ----- ----- | ----- ----- ----- | ----- ----- ----- |
| | (e) Transfer of gift | | |
| | Transferee's name, address, and ZIP + 4 | | Relationship of transferor to transferee |
| | ----- ----- ----- | ----- ----- ----- | |
| (a) No. from Part I | (b) Purpose of gift | (c) Use of gift | (d) Description of how gift is held |
| ----- | ----- ----- ----- | ----- ----- ----- | ----- ----- ----- |
| | (e) Transfer of gift | | |
| | Transferee's name, address, and ZIP + 4 | | Relationship of transferor to transferee |
| | ----- ----- ----- | ----- ----- ----- | |
| (a) No. from Part I | (b) Purpose of gift | (c) Use of gift | (d) Description of how gift is held |
| ----- | ----- ----- ----- | ----- ----- ----- | ----- ----- ----- |
| | (e) Transfer of gift | | |
| | Transferee's name, address, and ZIP + 4 | | Relationship of transferor to transferee |
| | ----- ----- ----- | ----- ----- ----- | |
| (a) No. from Part I | (b) Purpose of gift | (c) Use of gift | (d) Description of how gift is held |
| ----- | ----- ----- ----- | ----- ----- ----- | ----- ----- ----- |
| | (e) Transfer of gift | | |
| | Transferee's name, address, and ZIP + 4 | | Relationship of transferor to transferee |
| | ----- ----- ----- | ----- ----- ----- | |

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527
▶ **Complete if the organization is described below.** ▶ **Attach to Form 990 or Form 990-EZ.**
▶ **Go to www.irs.gov/Form990 for instructions and the latest information.**

OMB No. 1545-0047

2019

**Open to Public
Inspection**

If the organization answered "Yes," on Form 990, Part IV, line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations: Complete Parts I-A and B. Do not complete Part I-C.
- Section 501(c) (other than section 501(c)(3)) organizations: Complete Parts I-A and C below. Do not complete Part I-B.
- Section 527 organizations: Complete Part I-A only.

If the organization answered "Yes," on Form 990, Part IV, line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)): Complete Part II-A. Do not complete Part II-B.
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)): Complete Part II-B. Do not complete Part II-A.

If the organization answered "Yes," on Form 990, Part IV, line 5 (Proxy Tax) (see separate instructions) or Form 990-EZ, Part V, line 35c (Proxy Tax) (see separate instructions), then

- Section 501(c)(4), (5), or (6) organizations: Complete Part III.

| | |
|---|---|
| Name of organization NORTON HOSPITALS, INC. | Employer identification number 61-0703799 |
|---|---|

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

- 1 Provide a description of the organization's direct and indirect political campaign activities in Part IV. (see instructions for definition of "political campaign activities")
- 2 Political campaign activity expenditures (see instructions) ▶ \$
- 3 Volunteer hours for political campaign activities (see instructions)

Part I-B Complete if the organization is exempt under section 501(c)(3).

- 1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ \$
- 2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ \$
- 3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No
- 4a Was a correction made? ☐ Yes ☐ No
- b If "Yes," describe in Part IV.

Part I-C Complete if the organization is exempt under section 501(c), except section 501(c)(3).

- 1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ \$
- 2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities ▶ \$
- 3 Total exempt function expenditures. Add lines 1 and 2. Enter here and on Form 1120-POL, line 17b ▶ \$
- 4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No
- 5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments. For each organization listed, enter the amount paid from the filing organization's funds. Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC). If additional space is needed, provide information in Part IV.

| (a) Name | (b) Address | (c) EIN | (d) Amount paid from filing organization's funds. If none, enter -0-. | (e) Amount of political contributions received and promptly and directly delivered to a separate political organization. If none, enter -0-. |
|----------|-------------|---------|---|--|
| (1) | | | | |
| (2) | | | | |
| (3) | | | | |
| (4) | | | | |
| (5) | | | | |
| (6) | | | | |

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Cat. No. 50084S

Schedule C (Form 990 or 990-EZ) 2019

Part II-A Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).

- A** Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures).
- B** Check ☐ if the filing organization checked box A and "limited control" provisions apply.

| Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.) | | (a) Filing organization's totals | (b) Affiliated group totals | | | | | | | | | | | | |
|---|---|---|------------------------------------|--------------------|-------------------------------|---|--|---|--|--|---|-------------------|--------------|--|--|
| 1a | Total lobbying expenditures to influence public opinion (grassroots lobbying) | | | | | | | | | | | | | | |
| b | Total lobbying expenditures to influence a legislative body (direct lobbying) | | | | | | | | | | | | | | |
| c | Total lobbying expenditures (add lines 1a and 1b) | | | | | | | | | | | | | | |
| d | Other exempt purpose expenditures | | | | | | | | | | | | | | |
| e | Total exempt purpose expenditures (add lines 1c and 1d) | | | | | | | | | | | | | | |
| f | Lobbying nontaxable amount. Enter the amount from the following table in both columns. | | | | | | | | | | | | | | |
| <table border="1"> <thead> <tr> <th>If the amount on line 1e, column (a) or (b) is:</th> <th>The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e.</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000.</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000.</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000.</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000.</td> </tr> </tbody> </table> | | If the amount on line 1e, column (a) or (b) is: | The lobbying nontaxable amount is: | Not over \$500,000 | 20% of the amount on line 1e. | Over \$500,000 but not over \$1,000,000 | \$100,000 plus 15% of the excess over \$500,000. | Over \$1,000,000 but not over \$1,500,000 | \$175,000 plus 10% of the excess over \$1,000,000. | Over \$1,500,000 but not over \$17,000,000 | \$225,000 plus 5% of the excess over \$1,500,000. | Over \$17,000,000 | \$1,000,000. | | |
| If the amount on line 1e, column (a) or (b) is: | The lobbying nontaxable amount is: | | | | | | | | | | | | | | |
| Not over \$500,000 | 20% of the amount on line 1e. | | | | | | | | | | | | | | |
| Over \$500,000 but not over \$1,000,000 | \$100,000 plus 15% of the excess over \$500,000. | | | | | | | | | | | | | | |
| Over \$1,000,000 but not over \$1,500,000 | \$175,000 plus 10% of the excess over \$1,000,000. | | | | | | | | | | | | | | |
| Over \$1,500,000 but not over \$17,000,000 | \$225,000 plus 5% of the excess over \$1,500,000. | | | | | | | | | | | | | | |
| Over \$17,000,000 | \$1,000,000. | | | | | | | | | | | | | | |
| g | Grassroots nontaxable amount (enter 25% of line 1f) | | | | | | | | | | | | | | |
| h | Subtract line 1g from line 1a. If zero or less, enter -0- | | | | | | | | | | | | | | |
| i | Subtract line 1f from line 1c. If zero or less, enter -0- | | | | | | | | | | | | | | |
| j | If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? | | | | | | | | | | | | | | |

☐ **Yes** ☐ **No**
4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the separate instructions for lines 2a through 2f.)

| Lobbying Expenditures During 4-Year Averaging Period | | | | | |
|--|----------|----------|----------|----------|-----------|
| Calendar year (or fiscal year beginning in) | (a) 2016 | (b) 2017 | (c) 2018 | (d) 2019 | (e) Total |
| 2a Lobbying nontaxable amount | | | | | |
| b Lobbying ceiling amount (150% of line 2a, column (e)) | | | | | |
| c Total lobbying expenditures | | | | | |
| d Grassroots nontaxable amount | | | | | |
| e Grassroots ceiling amount (150% of line 2d, column (e)) | | | | | |
| f Grassroots lobbying expenditures | | | | | |

Schedule C (Form 990 or 990-EZ) 2019

Part II-B Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).

For each "Yes" response on lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.

| | (a) | | (b) |
|---|-----|----|--------|
| | Yes | No | Amount |
| 1 During the year, did the filing organization attempt to influence foreign, national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of: | | | |
| a Volunteers? | | ✓ | |
| b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)? | | ✓ | |
| c Media advertisements? | | ✓ | |
| d Mailings to members, legislators, or the public? | | ✓ | |
| e Publications, or published or broadcast statements? | | ✓ | |
| f Grants to other organizations for lobbying purposes? | | ✓ | |
| g Direct contact with legislators, their staffs, government officials, or a legislative body? | | ✓ | |
| h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means? | | ✓ | |
| i Other activities? | ✓ | | 73,410 |
| j Total. Add lines 1c through 1i | | | 73,410 |
| 2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)? | | ✓ | |
| b If "Yes," enter the amount of any tax incurred under section 4912 | | | |
| c If "Yes," enter the amount of any tax incurred by organization managers under section 4912 | | | |
| d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year? | | | |

Part III-A Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

| | Yes | No |
|--|----------|----|
| 1 Were substantially all (90% or more) dues received nondeductible by members? | 1 | |
| 2 Did the organization make only in-house lobbying expenditures of \$2,000 or less? | 2 | |
| 3 Did the organization agree to carry over lobbying and political campaign activity expenditures from the prior year? | 3 | |

Part III-B Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) and if either (a) BOTH Part III-A, lines 1 and 2, are answered "No" OR (b) Part III-A, line 3, is answered "Yes."

| | | |
|---|-----------|--|
| 1 Dues, assessments and similar amounts from members | 1 | |
| 2 Section 162(e) nondeductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid). | | |
| a Current year | 2a | |
| b Carryover from last year | 2b | |
| c Total | 2c | |
| 3 Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues | 3 | |
| 4 If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year? | 4 | |
| 5 Taxable amount of lobbying and political expenditures (see instructions) | 5 | |

Part IV Supplemental Information

Provide the descriptions required for Part I-A, line 1; Part I-B, line 4; Part I-C, line 5; Part II-A (affiliated group list); Part II-A, lines 1 and 2 (see instructions); and Part II-B, line 1. Also, complete this part for any additional information.

SEE NEXT PAGE

Part IV

Supplemental Information. Provide the descriptions required for Part I-A, line 1; Part I-B, line 4; Part I-C, line 5; Part II-A (affiliated group list); Part II-A, lines 1 and 2 (see instructions); and Part II-B, line 1. Also, complete this part for any additional information.

| Return Reference - Identifier | Explanation |
|--|---|
| SCHEDULE C, PART II-B, LINE 1 - DETAILED DESCRIPTION OF THE LOBBYING ACTIVITY | NORTON HOSPITALS, INC. PAYS DUES TO THE KENTUCKY HOSPITAL ASSOCIATION. A PORTION OF THOSE DUES IN THE AMOUNT OF \$73,410 WAS SPENT ON LOBBYING. |

**SCHEDULE D
(Form 990)**

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

► Complete if the organization answered "Yes" on Form 990,
Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b.
► Attach to Form 990.

► Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2019

**Open to Public
Inspection**

Name of the organization

NORTON HOSPITALS, INC.

Employer identification number

61-0703799

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts.

Complete if the organization answered "Yes" on Form 990, Part IV, line 6.

| | (a) Donor advised funds | (b) Funds and other accounts |
|---|--|------------------------------|
| 1 Total number at end of year | | |
| 2 Aggregate value of contributions to (during year) | | |
| 3 Aggregate value of grants from (during year) | | |
| 4 Aggregate value at end of year | | |
| 5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? | <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| 6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? | <input type="checkbox"/> Yes <input type="checkbox"/> No | |

Part II Conservation Easements.

Complete if the organization answered "Yes" on Form 990, Part IV, line 7.

| | |
|---|--|
| 1 Purpose(s) of conservation easements held by the organization (check all that apply). <input type="checkbox"/> Preservation of land for public use (for example, recreation or education) <input type="checkbox"/> Preservation of a historically important land area <input type="checkbox"/> Protection of natural habitat <input type="checkbox"/> Preservation of a certified historic structure <input type="checkbox"/> Preservation of open space | |
| 2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year. | Held at the End of the Tax Year |
| a Total number of conservation easements | 2a |
| b Total acreage restricted by conservation easements | 2b |
| c Number of conservation easements on a certified historic structure included in (a) | 2c |
| d Number of conservation easements included in (c) acquired after 7/25/06, and not on a historic structure listed in the National Register | 2d |
| 3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ► | |
| 4 Number of states where property subject to conservation easement is located ► | |
| 5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 6 Staff and volunteer hours devoted to monitoring, inspecting, handling of violations, and enforcing conservation easements during the year ► | |
| 7 Amount of expenses incurred in monitoring, inspecting, handling of violations, and enforcing conservation easements during the year ► \$ | |
| 8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 9 In Part XIII, describe how the organization reports conservation easements in its revenue and expense statement and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements. | |

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.

Complete if the organization answered "Yes" on Form 990, Part IV, line 8.

| | |
|--|------|
| 1a If the organization elected, as permitted under FASB ASC 958, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide in Part XIII the text of the footnote to its financial statements that describes these items. | |
| b If the organization elected, as permitted under FASB ASC 958, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items: | |
| (i) Revenue included on Form 990, Part VIII, line 1 | ► \$ |
| (ii) Assets included in Form 990, Part X | ► \$ |
| 2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under FASB ASC 958 relating to these items: | |
| a Revenue included on Form 990, Part VIII, line 1 | ► \$ |
| b Assets included in Form 990, Part X | ► \$ |

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

3 Using the organization's acquisition, accession, and other records, check any of the following that make significant use of its collection items (check all that apply):

- a** ☐ Public exhibition
b ☐ Scholarly research
c ☐ Preservation for future generations
d ☐ Loan or exchange program
e ☐ Other _____

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII.

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV Escrow and Custodial Arrangements.

Complete if the organization answered "Yes" on Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIII and complete the following table:

| | Amount |
|--|-----------|
| c Beginning balance | 1c |
| d Additions during the year | 1d |
| e Distributions during the year | 1e |
| f Ending balance | 1f |

2a Did the organization include an amount on Form 990, Part X, line 21, for escrow or custodial account liability? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided on Part XIII ☐

Part V Endowment Funds.

Complete if the organization answered "Yes" on Form 990, Part IV, line 10.

| | (a) Current year | (b) Prior year | (c) Two years back | (d) Three years back | (e) Four years back |
|---|------------------|----------------|--------------------|----------------------|---------------------|
| 1a Beginning of year balance | 18,881,092 | 20,691,046 | 18,843,030 | 18,722,595 | 20,430,388 |
| b Contributions | 2,971,598 | 127,680 | 30,621 | 31,092 | (86,737) |
| c Net investment earnings, gains, and losses | 3,518,035 | (1,053,047) | 2,617,227 | 987,970 | (772,654) |
| d Grants or scholarships | | | | | |
| e Other expenditures for facilities and programs | 959,711 | 884,587 | 799,832 | 898,627 | 848,402 |
| f Administrative expenses | | | | | |
| g End of year balance | 24,411,014 | 18,881,092 | 20,691,046 | 18,843,030 | 18,722,595 |

2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:

- a** Board designated or quasi-endowment ☐ 0.00 %
b Permanent endowment ☐ 89.44 %
c Term endowment ☐ 10.56 %

The percentages on lines 2a, 2b, and 2c should equal 100%.

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

- (i)** Unrelated organizations
(ii) Related organizations

| | Yes | No |
|---------------|-----|----|
| 3a(i) | | ✓ |
| 3a(ii) | ✓ | |
| 3b | ✓ | |

b If "Yes" on line 3a(ii), are the related organizations listed as required on Schedule R? ☐

4 Describe in Part XIII the intended uses of the organization's endowment funds.

Part VI Land, Buildings, and Equipment.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

| Description of property | (a) Cost or other basis (investment) | (b) Cost or other basis (other) | (c) Accumulated depreciation | (d) Book value |
|--|--------------------------------------|---------------------------------|------------------------------|----------------|
| 1a Land | | 25,560,360 | | 25,560,360 |
| b Buildings | | 922,302,862 | 418,022,095 | 504,280,767 |
| c Leasehold improvements | | | | |
| d Equipment | | 718,774,295 | 596,204,895 | 122,569,400 |
| e Other | | 192,292,282 | 8,334,514 | 183,957,768 |
| Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10c.) | | | | 836,368,295 |

Part VII Investments—Other Securities.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

| (a) Description of security or category (including name of security) | (b) Book value | (c) Method of valuation: Cost or end-of-year market value |
|---|----------------|--|
| (1) Financial derivatives | | |
| (2) Closely held equity interests | | |
| (3) Other _____ | | |
| (A) _____ | | |
| (B) _____ | | |
| (C) _____ | | |
| (D) _____ | | |
| (E) _____ | | |
| (F) _____ | | |
| (G) _____ | | |
| (H) _____ | | |
| Total. (Column (b) must equal Form 990, Part X, col. (B) line 12.) | | |

Part VIII Investments—Program Related.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

| (a) Description of investment | (b) Book value | (c) Method of valuation: Cost or end-of-year market value |
|---|----------------|--|
| (1) _____ | | |
| (2) _____ | | |
| (3) _____ | | |
| (4) _____ | | |
| (5) _____ | | |
| (6) _____ | | |
| (7) _____ | | |
| (8) _____ | | |
| (9) _____ | | |
| Total. (Column (b) must equal Form 990, Part X, col. (B) line 13.) | | |

Part IX Other Assets.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11d. See Form 990, Part X, line 15.

| (a) Description | (b) Book value |
|---|----------------|
| (1) RECEIVABLE FROM AFFILIATE | 1,643,533,485 |
| (2) MISCELLANEOUS RECEIVABLES | 440,000 |
| (3) _____ | |
| (4) _____ | |
| (5) _____ | |
| (6) _____ | |
| (7) _____ | |
| (8) _____ | |
| (9) _____ | |
| Total. (Column (b) must equal Form 990, Part X, col. (B) line 15.) | 1,643,973,485 |

Part X Other Liabilities.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

| 1. (a) Description of liability | (b) Book value |
|---|----------------|
| (1) Federal income taxes | |
| (2) DUE TO THIRD PARTY PAYORS | 23,899,812 |
| (3) ASSET RETIREMENT OBLIGATION | 8,337,157 |
| (4) _____ | |
| (5) _____ | |
| (6) _____ | |
| (7) _____ | |
| (8) _____ | |
| (9) _____ | |
| Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.) | 32,236,969 |

2. Liability for uncertain tax positions. In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FASB ASC 740. Check here if the text of the footnote has been provided in Part XIII ☐

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return.

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

| | | | | |
|----------|--|-----------|-----------|--|
| 1 | Total revenue, gains, and other support per audited financial statements | | 1 | |
| 2 | Amounts included on line 1 but not on Form 990, Part VIII, line 12: | | | |
| a | Net unrealized gains (losses) on investments | 2a | | |
| b | Donated services and use of facilities | 2b | | |
| c | Recoveries of prior year grants | 2c | | |
| d | Other (Describe in Part XIII.) | 2d | | |
| e | Add lines 2a through 2d | | 2e | |
| 3 | Subtract line 2e from line 1 | | 3 | |
| 4 | Amounts included on Form 990, Part VIII, line 12, but not on line 1: | | | |
| a | Investment expenses not included on Form 990, Part VIII, line 7b | 4a | | |
| b | Other (Describe in Part XIII.) | 4b | | |
| c | Add lines 4a and 4b | | 4c | |
| 5 | Total revenue. Add lines 3 and 4c . (This must equal Form 990, Part I, line 12.) | | 5 | |

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

| | | | | |
|----------|---|-----------|-----------|--|
| 1 | Total expenses and losses per audited financial statements | | 1 | |
| 2 | Amounts included on line 1 but not on Form 990, Part IX, line 25: | | | |
| a | Donated services and use of facilities | 2a | | |
| b | Prior year adjustments | 2b | | |
| c | Other losses | 2c | | |
| d | Other (Describe in Part XIII.) | 2d | | |
| e | Add lines 2a through 2d | | 2e | |
| 3 | Subtract line 2e from line 1 | | 3 | |
| 4 | Amounts included on Form 990, Part IX, line 25, but not on line 1: | | | |
| a | Investment expenses not included on Form 990, Part VIII, line 7b | 4a | | |
| b | Other (Describe in Part XIII.) | 4b | | |
| c | Add lines 4a and 4b | | 4c | |
| 5 | Total expenses. Add lines 3 and 4c . (This must equal Form 990, Part I, line 18.) | | 5 | |

Part XIII Supplemental Information.

Provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, lines 2d and 4b; and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

[SEE STATEMENT](#)

Part XIII

Supplemental Information. Provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, lines 2d and 4b; and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

| Return Reference - Identifier | Explanation |
|---|--|
| SCHEDULE D, PART V, LINE 4 - INTENDED USES OF ENDOWMENT FUNDS | THE CHILDREN'S HOSPITAL FOUNDATION, INC. AND NORTON HEALTHCARE FOUNDATION, INC. UTILIZE INCOME GENERATED FROM ENDOWMENT FUNDS TO SUPPORT VARIOUS PROGRAMS, SERVICES AND CAPITAL PROJECTS FOR THE BENEFIT OF NORTON HOSPITALS, INC. |

**SCHEDULE H
(Form 990)**

Department of the Treasury
Internal Revenue Service

Hospitals

- **Complete if the organization answered "Yes" on Form 990, Part IV, question 20.**
 ► **Attach to Form 990.**
 ► **Go to www.irs.gov/Form990 for instructions and the latest information.**

OMB No. 1545-0047

2019

Open to Public Inspection

Name of the organization

NORTON HOSPITALS, INC.

Employer identification number

61

0703799

Part I Financial Assistance and Certain Other Community Benefits at Cost

| | Yes | No |
|--|-----|----|
| 1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a | ✓ | |
| b If "Yes," was it a written policy? | ✓ | |
| 2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year. <input checked="" type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities | | |
| 3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year. | | |
| a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care: <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input checked="" type="checkbox"/> Other <u>300</u> % | ✓ | |
| b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care: <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____% | | ✓ |
| c If the organization used factors other than FPG in determining eligibility, describe in Part VI the criteria used for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care. | | |
| 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"? | ✓ | |
| 5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? | ✓ | |
| b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? | ✓ | |
| c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? | | ✓ |
| 6a Did the organization prepare a community benefit report during the tax year? | ✓ | |
| b If "Yes," did the organization make it available to the public? | ✓ | |

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.

7 Financial Assistance and Certain Other Community Benefits at Cost

| Financial Assistance and Means-Tested Government Programs | (a) Number of activities or programs (optional) | (b) Persons served (optional) | (c) Total community benefit expense | (d) Direct offsetting revenue | (e) Net community benefit expense | (f) Percent of total expense |
|--|---|-------------------------------|-------------------------------------|-------------------------------|-----------------------------------|------------------------------|
| a Financial Assistance at cost (from Worksheet 1) | | | 14,581,160 | 822,619 | 13,758,541 | 0.76 |
| b Medicaid (from Worksheet 3, column a) | | | 436,661,770 | 370,732,951 | 65,928,819 | 3.63 |
| c Costs of other means-tested government programs (from Worksheet 3, column b) | | | 649,909 | 0 | 649,909 | 0.04 |
| d Total. Financial Assistance and Means-Tested Government Programs | 0 | 0 | 451,892,839 | 371,555,570 | 80,337,269 | 4.43 |
| Other Benefits | | | | | | |
| e Community health improvement services and community benefit operations (from Worksheet 4) | | | 12,489,868 | 2,324,321 | 10,165,547 | 0.56 |
| f Health professions education (from Worksheet 5) | | | 62,107,640 | 7,408,160 | 54,699,480 | 3.02 |
| g Subsidized health services (from Worksheet 6) | | | 0 | 0 | 0 | 0.00 |
| h Research (from Worksheet 7) | | | 2,644,082 | 0 | 2,644,082 | 0.15 |
| i Cash and in-kind contributions for community benefit (from Worksheet 8) | | | 6,840,370 | 0 | 6,840,370 | 0.38 |
| j Total. Other Benefits | 0 | 0 | 84,081,960 | 9,732,481 | 74,349,479 | 4.10 |
| k Total. Add lines 7d and 7j | 0 | 0 | 535,974,799 | 381,288,051 | 154,686,748 | 8.53 |

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat. No. 50192T

Schedule H (Form 990) 2019

Part II Community Building Activities Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

| | (a) Number of activities or programs (optional) | (b) Persons served (optional) | (c) Total community building expense | (d) Direct offsetting revenue | (e) Net community building expense | (f) Percent of total expense |
|---|---|-------------------------------|--------------------------------------|-------------------------------|------------------------------------|------------------------------|
| 1 Physical improvements and housing | | | | | 0 | 0.00 |
| 2 Economic development | | | | | 0 | 0.00 |
| 3 Community support | | | 1,127,812 | 1,500 | 1,126,312 | 0.06 |
| 4 Environmental improvements | | | | | 0 | 0.00 |
| 5 Leadership development and training for community members | | | | | 0 | 0.00 |
| 6 Coalition building | | | | | 0 | 0.00 |
| 7 Community health improvement advocacy | | | | | 0 | 0.00 |
| 8 Workforce development | | | | | 0 | 0.00 |
| 9 Other | | | | | 0 | 0.00 |
| 10 Total | 0 | 0 | 1,127,812 | 1,500 | 1,126,312 | 0.06 |

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

| | | Yes | No |
|---|---|-----------|----|
| 1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15? | 1 | ✓ | |
| 2 Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount | 2 | 0 | |
| 3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit. | 3 | 1,875,643 | |
| 4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements. | | | |

Section B. Medicare

| | | |
|--|---|-------------|
| 5 Enter total revenue received from Medicare (including DSH and IME) | 5 | 403,992,585 |
| 6 Enter Medicare allowable costs of care relating to payments on line 5 | 6 | 412,025,378 |
| 7 Subtract line 6 from line 5. This is the surplus (or shortfall) | 7 | (8,032,793) |
| 8 Describe in Part VI the extent to which any shortfall reported on line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: | | |
| <input type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input checked="" type="checkbox"/> Other | | |

Section C. Collection Practices

| | | | |
|---|----|---|--|
| 9a Did the organization have a written debt collection policy during the tax year? | 9a | ✓ | |
| b If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI | 9b | ✓ | |

Part IV Management Companies and Joint Ventures (owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

| (a) Name of entity | (b) Description of primary activity of entity | (c) Organization's profit % or stock ownership % | (d) Officers, directors, trustees, or key employees' profit % or stock ownership % | (e) Physicians' profit % or stock ownership % |
|--------------------|---|--|--|---|
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | | | | |
| 7 | | | | |
| 8 | | | | |
| 9 | | | | |
| 10 | | | | |
| 11 | | | | |
| 12 | | | | |
| 13 | | | | |

Part V Facility Information**Section A. Hospital Facilities**

(list in order of size, from largest to smallest—see instructions)

How many hospital facilities did the organization operate during the tax year? 5

Name, address, primary website address, and state license number (and if a group return, the name and EIN of the subordinate hospital organization that operates the hospital facility)

| | Licensed hospital | General medical & surgical | Children's hospital | Teaching hospital | Critical access hospital | Research facility | ER-24 hours | ER-other | Other (describe) | Facility reporting group |
|---|-------------------|----------------------------|---------------------|-------------------|--------------------------|-------------------|-------------|----------|------------------|--------------------------|
| 1 NORTON HOSPITAL 200 E CHESTNUT ST, LOUISVILLE, KY 40202 HTTPS://NORTONHEALTHCARE.COM/LOCATION/HOSPITALS/NORTON-HOSPITAL/ STATE LICENSE NO. : 100234 | ✓ | ✓ | | ✓ | | | ✓ | | | A |
| 2 NORTON CHILDREN'S HOSPITAL 231 E CHESTNUT ST, LOUISVILLE, KY 40202 HTTP://WWW.NORTONCHILDRENS.COM/ STATE LICENSE NO. : 100234 | ✓ | ✓ | ✓ | ✓ | | | ✓ | | | A |
| 3 NORTON WOMEN'S AND CHILDREN'S HOSPITAL 4001 DUTCHMANS LANE, LOUISVILLE, KY 40207 HTTPS://NORTONHEALTHCARE.COM/LOCATION/HOSPITALS/NORTON-WOMENS-AND-CHILDRENS-HOSPITAL/ STATE LICENSE NO. : 100255 | ✓ | ✓ | | ✓ | | | ✓ | | | A |
| 4 NORTON AUDUBON HOSPITAL ONE AUDUBON PLAZA DRIVE, LOUISVILLE, KY 40217 HTTPS://NORTONHEALTHCARE.COM/LOCATION/HOSPITALS/NORTON-AUDUBON-HOSPITAL/ STATE LICENSE NO. : 100252 | ✓ | ✓ | | ✓ | | | ✓ | | | A |
| 5 NORTON BROWNSBORO HOSPITAL 4950 NORTON HEALTHCARE BLVD, LOUISVILLE, KY 40241 HTTPS://NORTONHEALTHCARE.COM/LOCATION/HOSPITALS/NORTON-BROWNSBORO-HOSPITAL/ STATE LICENSE NO. : 100475 | ✓ | ✓ | | | | | ✓ | | | A |
| 6 | | | | | | | | | | |
| 7 | | | | | | | | | | |
| 8 | | | | | | | | | | |
| 9 | | | | | | | | | | |
| 10 | | | | | | | | | | |

Part V Facility Information (continued)**Section B. Facility Policies and Practices**

(complete a separate Section B for each of the hospital facilities or facility reporting groups listed in Part V, Section A)

Name of hospital facility or letter of facility reporting group A

Line number of hospital facility, or line numbers of hospital facilities in a facility reporting group (from Part V, Section A): _____

| | Yes | No |
|---|------------|----|
| Community Health Needs Assessment | | |
| 1 Was the hospital facility first licensed, registered, or similarly recognized by a state as a hospital facility in the current tax year or the immediately preceding tax year? | 1 | ✓ |
| 2 Was the hospital facility acquired or placed into service as a tax-exempt hospital in the current tax year or the immediately preceding tax year? If "Yes," provide details of the acquisition in Section C | 2 | ✓ |
| 3 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 12 | 3 | ✓ |
| If "Yes," indicate what the CHNA report describes (check all that apply): | | |
| a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility | | |
| b <input checked="" type="checkbox"/> Demographics of the community | | |
| c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community | | |
| d <input checked="" type="checkbox"/> How data was obtained | | |
| e <input checked="" type="checkbox"/> The significant health needs of the community | | |
| f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups | | |
| g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs | | |
| h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests | | |
| i <input checked="" type="checkbox"/> The impact of any actions taken to address the significant health needs identified in the hospital facility's prior CHNA(s) | | |
| j <input type="checkbox"/> Other (describe in Section C) | | |
| 4 Indicate the tax year the hospital facility last conducted a CHNA: 20 <u>19</u> | | |
| 5 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Section C how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted | 5 | ✓ |
| 6a Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Section C | 6a | ✓ |
| b Was the hospital facility's CHNA conducted with one or more organizations other than hospital facilities? If "Yes," list the other organizations in Section C | 6b | ✓ |
| 7 Did the hospital facility make its CHNA report widely available to the public? | 7 | ✓ |
| If "Yes," indicate how the CHNA report was made widely available (check all that apply): | | |
| a <input checked="" type="checkbox"/> Hospital facility's website (list url): <u>(SEE STATEMENT)</u> | | |
| b <input type="checkbox"/> Other website (list url): _____ | | |
| c <input checked="" type="checkbox"/> Made a paper copy available for public inspection without charge at the hospital facility | | |
| d <input type="checkbox"/> Other (describe in Section C) | | |
| 8 Did the hospital facility adopt an implementation strategy to meet the significant community health needs identified through its most recently conducted CHNA? If "No," skip to line 11 | 8 | ✓ |
| 9 Indicate the tax year the hospital facility last adopted an implementation strategy: 20 <u>19</u> | | |
| 10 Is the hospital facility's most recently adopted implementation strategy posted on a website? | 10 | ✓ |
| a If "Yes," (list url): <u>(SEE STATEMENT)</u> | | |
| b If "No," is the hospital facility's most recently adopted implementation strategy attached to this return? | 10b | |
| 11 Describe in Section C how the hospital facility is addressing the significant needs identified in its most recently conducted CHNA and any such needs that are not being addressed together with the reasons why such needs are not being addressed. | | |
| 12a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)? | 12a | ✓ |
| b If "Yes" to line 12a, did the organization file Form 4720 to report the section 4959 excise tax? | 12b | |
| c If "Yes" to line 12b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ | | |

Part V Facility Information (continued)**Financial Assistance Policy (FAP)**Name of hospital facility or letter of facility reporting group A

| | Yes | No |
|--|-------------|----|
| Did the hospital facility have in place during the tax year a written financial assistance policy that: | | |
| 13 Explained eligibility criteria for financial assistance, and whether such assistance included free or discounted care? If "Yes," indicate the eligibility criteria explained in the FAP: | 13 ✓ | |
| a <input checked="" type="checkbox"/> Federal poverty guidelines (FPG), with FPG family income limit for eligibility for free care of <u>3</u> <u>0</u> <u>0</u> % and FPG family income limit for eligibility for discounted care of <u> </u> <u> </u> <u> </u> % | | |
| b <input type="checkbox"/> Income level other than FPG (describe in Section C) | | |
| c <input checked="" type="checkbox"/> Asset level | | |
| d <input type="checkbox"/> Medical indigency | | |
| e <input checked="" type="checkbox"/> Insurance status | | |
| f <input checked="" type="checkbox"/> Underinsurance status | | |
| g <input checked="" type="checkbox"/> Residency | | |
| h <input checked="" type="checkbox"/> Other (describe in Section C) | | |
| 14 Explained the basis for calculating amounts charged to patients? | 14 ✓ | |
| 15 Explained the method for applying for financial assistance? If "Yes," indicate how the hospital facility's FAP or FAP application form (including accompanying instructions) explained the method for applying for financial assistance (check all that apply): | 15 ✓ | |
| a <input checked="" type="checkbox"/> Described the information the hospital facility may require an individual to provide as part of his or her application | | |
| b <input checked="" type="checkbox"/> Described the supporting documentation the hospital facility may require an individual to submit as part of his or her application | | |
| c <input checked="" type="checkbox"/> Provided the contact information of hospital facility staff who can provide an individual with information about the FAP and FAP application process | | |
| d <input type="checkbox"/> Provided the contact information of nonprofit organizations or government agencies that may be sources of assistance with FAP applications | | |
| e <input type="checkbox"/> Other (describe in Section C) | | |
| 16 Was widely publicized within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply): | 16 ✓ | |
| a <input checked="" type="checkbox"/> The FAP was widely available on a website (list url): <u>(SEE STATEMENT)</u> | | |
| b <input checked="" type="checkbox"/> The FAP application form was widely available on a website (list url): <u>(SEE STATEMENT)</u> | | |
| c <input checked="" type="checkbox"/> A plain language summary of the FAP was widely available on a website (list url): <u>(SEE STATEMENT)</u> | | |
| d <input checked="" type="checkbox"/> The FAP was available upon request and without charge (in public locations in the hospital facility and by mail) | | |
| e <input checked="" type="checkbox"/> The FAP application form was available upon request and without charge (in public locations in the hospital facility and by mail) | | |
| f <input checked="" type="checkbox"/> A plain language summary of the FAP was available upon request and without charge (in public locations in the hospital facility and by mail) | | |
| g <input checked="" type="checkbox"/> Individuals were notified about the FAP by being offered a paper copy of the plain language summary of the FAP, by receiving a conspicuous written notice about the FAP on their billing statements, and via conspicuous public displays or other measures reasonably calculated to attract patients' attention | | |
| h <input checked="" type="checkbox"/> Notified members of the community who are most likely to require financial assistance about availability of the FAP | | |
| i <input checked="" type="checkbox"/> The FAP, FAP application form, and plain language summary of the FAP were translated into the primary language(s) spoken by Limited English Proficiency (LEP) populations | | |
| j <input checked="" type="checkbox"/> Other (describe in Section C) | | |

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Part V Facility Information (continued)**Billing and Collections**Name of hospital facility or letter of facility reporting group A

| | Yes | No |
|---|-------------|----|
| 17 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained all of the actions the hospital facility or other authorized party may take upon nonpayment? | 17 ✓ | |
| 18 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP: | | |
| a <input type="checkbox"/> Reporting to credit agency(ies) | | |
| b <input type="checkbox"/> Selling an individual's debt to another party | | |
| c <input type="checkbox"/> Deferring, denying, or requiring a payment before providing medically necessary care due to nonpayment of a previous bill for care covered under the hospital facility's FAP | | |
| d <input type="checkbox"/> Actions that require a legal or judicial process | | |
| e <input type="checkbox"/> Other similar actions (describe in Section C) | | |
| f <input checked="" type="checkbox"/> None of these actions or other similar actions were permitted | | |
| 19 Did the hospital facility or other authorized party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP? | 19 | ✓ |
| If "Yes," check all actions in which the hospital facility or a third party engaged: | | |
| a <input type="checkbox"/> Reporting to credit agency(ies) | | |
| b <input type="checkbox"/> Selling an individual's debt to another party | | |
| c <input type="checkbox"/> Deferring, denying, or requiring a payment before providing medically necessary care due to nonpayment of a previous bill for care covered under the hospital facility's FAP | | |
| d <input type="checkbox"/> Actions that require a legal or judicial process | | |
| e <input type="checkbox"/> Other similar actions (describe in Section C) | | |
| 20 Indicate which efforts the hospital facility or other authorized party made before initiating any of the actions listed (whether or not checked) in line 19 (check all that apply): | | |
| a <input checked="" type="checkbox"/> Provided a written notice about upcoming ECAs (Extraordinary Collection Action) and a plain language summary of the FAP at least 30 days before initiating those ECAs (if not, describe in Section C) | | |
| b <input checked="" type="checkbox"/> Made a reasonable effort to orally notify individuals about the FAP and FAP application process (if not, describe in Section C) | | |
| c <input checked="" type="checkbox"/> Processed incomplete and complete FAP applications (if not, describe in Section C) | | |
| d <input checked="" type="checkbox"/> Made presumptive eligibility determinations (if not, describe in Section C) | | |
| e <input type="checkbox"/> Other (describe in Section C) | | |
| f <input type="checkbox"/> None of these efforts were made | | |

Policy Relating to Emergency Medical Care

| | Yes | No |
|---|-------------|----|
| 21 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that required the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? | 21 ✓ | |
| If "No," indicate why: | | |
| a <input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions | | |
| b <input type="checkbox"/> The hospital facility's policy was not in writing | | |
| c <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Section C) | | |
| d <input type="checkbox"/> Other (describe in Section C) | | |

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Part V Facility Information *(continued)***Charges to Individuals Eligible for Assistance Under the FAP (FAP-Eligible Individuals)**Name of hospital facility or letter of facility reporting group A

| | Yes | No |
|--|-----------|----|
| 22 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care. | | |
| a <input type="checkbox"/> The hospital facility used a look-back method based on claims allowed by Medicare fee-for-service during a prior 12-month period | | |
| b <input type="checkbox"/> The hospital facility used a look-back method based on claims allowed by Medicare fee-for-service and all private health insurers that pay claims to the hospital facility during a prior 12-month period | | |
| c <input checked="" type="checkbox"/> The hospital facility used a look-back method based on claims allowed by Medicaid, either alone or in combination with Medicare fee-for-service and all private health insurers that pay claims to the hospital facility during a prior 12-month period | | |
| d <input type="checkbox"/> The hospital facility used a prospective Medicare or Medicaid method | | |
| 23 During the tax year, did the hospital facility charge any FAP-eligible individual to whom the hospital facility provided emergency or other medically necessary services more than the amounts generally billed to individuals who had insurance covering such care? | 23 | ✓ |
| If "Yes," explain in Section C. | | |
| 24 During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual? | 24 | ✓ |
| If "Yes," explain in Section C. | | |

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Part V, Section C

Supplemental Information. Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

| Return Reference - Identifier | Explanation |
|---|--|
| SCHEDULE H, PART V, SECTION B, LINE 6A - CHNA CONDUCTED WITH ONE OR MORE OTHER HOSPITAL FACILITIES | <p>FACILITY NAME: ALL HOSPITALS</p> <p>DESCRIPTION: NORTON HOSPITALS, INC. OWNS AND OPERATES FIVE HOSPITALS LOCATED IN LOUISVILLE, JEFFERSON COUNTY, KENTUCKY. THE HOSPITALS ARE: - NORTON HOSPITAL - NORTON CHILDREN'S HOSPITAL - NORTON WOMEN'S AND CHILDREN'S HOSPITAL - NORTON AUDUBON HOSPITAL - NORTON BROWNSBORO HOSPITAL</p> |
| SCHEDULE H, PART V, SECTION B, LINE 6B - CHNA CONDUCTED WITH ONE OR MORE ORGANIZATIONS OTHER THAN HOSPITAL FACILITIES | <p>FACILITY NAME: OTHER ORGANIZATIONS</p> <p>DESCRIPTION: THE LOUISVILLE AREA HOSPITALS COLLABORATED WITH LOUISVILLE METRO GOVERNMENT TO CONDUCT THE COMMUNITY WIDE HEALTH SURVEY AND FOCUS GROUPS.</p> |
| SCHEDULE H, PART V, SECTION B, LINE 7 - HOSPITAL FACILITY'S WEBSITE (LIST URL) | HTTPS://NORTONHEALTHCARE.COM/ABOUT-US/COMMUNITY-HEALTH-NEEDS-ASSESSMENT/ |
| SCHEDULE H, PART V, SECTION B, LINE 10 - IF "YES", (LIST URL) | HTTPS://NORTONHEALTHCARE.COM/ABOUT-US/COMMUNITY-HEALTH-NEEDS-ASSESSMENT/ |

| Return Reference - Identifier | Explanation |
|--|---|
| <p>SCHEDULE H, PART V, SECTION B, LINE 11 - HOW HOSPITAL FACILITY IS ADDRESSING NEEDS IDENTIFIED IN CHNA</p> | <p>FACILITY NAME: ALL HOSPITALS</p> <p>DESCRIPTION: DRUG USE</p> <p>IN 2019 THE KENTUCKY POISON CONTROL CENTER OF NORTON CHILDREN'S HOSPITAL LAUNCHED A 24/7 SUPPORT HOTLINE FOR HEALTH CARE PROVIDERS, PATIENTS AND FIRST RESPONDERS ON OPIOID-RELATED ISSUES. THE KENTUCKY OPIOID ASSISTANCE & RESOURCE HOTLINE - (800) 854-6813 - IS STAFFED BY TOXICOLOGY-CERTIFIED NURSES AND PHARMACISTS. FOR THE COMMUNITY, THE HOTLINE OFFERS ADVICE ON SAFE MEDICATION DISPOSAL, WHERE TO GET NALOXONE AND HOW TO USE IT. STAFF ALSO CAN DIRECTLY CONNECT USERS AND THEIR FAMILIES TO OPERATION UNITE FOR SUBSTANCE USE DISORDER TREATMENT AND ASSIST DISPLACED PATIENTS OF PAIN CLINICS THAT SUDDENLY CLOSE.</p> <p>THE NORTON MATERNAL OPIATE AND SUBSTANCE TREATMENT (MOST) PROGRAM WAS CREATED TO HELP PREGNANT WOMEN BREAK THE CYCLE OF ADDICTION. THE MOST PROGRAM OFFERS KNOWLEDGEABLE, SUPPORTIVE STAFF MEMBERS WHO ARE SKILLED IN CARING FOR PREGNANT WOMEN WITH SUBSTANCE USE DISORDERS AND FOR THEIR BABIES. IN 2019, 130 WOMEN ENROLLED IN THE PROGRAM AND 77% DELIVERED THEIR BABIES FULL TERM. NORTON HOSPITALS, INC. (NHI) IS WORKING TO EXPAND THIS ADDICTION RECOVERY PROGRAM THROUGH USE OF NURSE PRACTITIONERS/NAVIGATORS.</p> <p>HEALTH EDUCATORS FROM NORTON CHILDREN'S PREVENTION & WELLNESS TEAM PARTNER WITH LOCAL SCHOOLS TO OFFER WELLNESS WORKSHOPS IN HEALTH AND PHYSICAL EDUCATION CLASSROOMS, AFTER-SCHOOL EVENTS AND SUMMER PROGRAMS. THIS PEER-TO-PEER EDUCATION SUPPORTS YOUNG PEOPLE IN DEVELOPING POSITIVE GROUP NORMS AND IN MAKING HEALTHY DECISIONS. WORKSHOPS ARE OFFERED AS A FOUR-PART SERIES AND EMPOWER STUDENTS TO BECOME VOICES IN THEIR SCHOOL TO ENCOURAGE HEALTHY BEHAVIORS AND DECISION-MAKING.</p> <p>IN 2018 NHI CREATED AN OPIOID STEWARDSHIP PROGRAM TO DEVELOP PROTOCOLS FOR OPIOID USE AND DISPOSAL IN BOTH THE HOSPITAL AND AMBULATORY SETTING, AND TO PROMOTE ALTERNATIVE PAIN MANAGEMENT METHODS TO REDUCE THE NUMBER OF OPIOIDS IN THE COMMUNITY. THE PROGRAM FOCUSES ON CHANGING PRESCRIPTION PRACTICES BASED ON RECOMMENDATIONS MADE BY THE JOINT COMMISSION, A HEALTH CARE ACCREDITATION ORGANIZATION. IN 2019, THE PERCENTAGE OF OPIOID PRESCRIPTIONS OF TOTAL PRESCRIPTIONS WRITTEN BY HOSPITAL PROVIDERS DECREASED 11% FROM THE PRIOR YEAR. IN ADDITION, THE AVERAGE QUANTITY OF PILLS PER PRESCRIPTION DECREASED 8%.</p> <p>OBESITY</p> <p>NHI OFFERS FREE FRUIT AND BOOT CAMP CLASSES TO THE COMMUNITY, DESIGNED TO TEACH SCHOOL-AGE CHILDREN HOW TO EAT WELL AND STAY ACTIVE TOGETHER. ADULTS AND KIDS PRACTICE MAKING SIMPLE, HEALTHY FOOD AND PARTICIPATE IN AN EXERCISE ACTIVITY THAT CAN BE DONE AT HOME. CLASSES CAN BE OFFERED VIRTUALLY ON THE ONLINE PLATFORM ZOOM, WHEREBY FAMILIES ARE EMAILED A LIST OF INGREDIENTS PRIOR TO THE CLASS, SO THEY CAN FOLLOW ALONG DURING THE COOKING DEMONSTRATION.</p> <p>THE NORTON HEALTH & WELLNESS CENTER OFFERS FREE WEIGHT MANAGEMENT SEMINARS TO THE COMMUNITY IN EITHER AN IN-PERSON OR ONLINE SETTING. SERVICES INCLUDE EDUCATIONAL SEMINARS, SUPPORT GROUPS, A DEMONSTRATION KITCHEN AND MORE.</p> <p>NHI CONTINUES TO OFFER FREE HEALTH SCREENINGS AND EDUCATION TO THE COMMUNITY THROUGH USE OF OUR MOBILE PREVENTION UNIT, AS WELL AS THROUGH VARIOUS COMMUNITY EVENTS AND HEALTH FAIRS. IN 2019, THERE WERE OVER 4,000 FREE SCREENINGS PERFORMED IN THE COMMUNITY, UP 12% FROM 2018. NHI HAS PLANS TO EXPAND THE MOBILE PREVENTION CENTER IN 2020 TO INCLUDE ANOTHER VEHICLE AND INCREASE ACCESS TO PREVENTIVE SCREENINGS IN UNDERSERVED AREAS OF THE COMMUNITY.</p> <p>SMOKING/TOBACCO USE</p> <p>NORTON HEALTHCARE PREVENTION & WELLNESS OFFERS A COMPREHENSIVE TOBACCO CESSATION PROGRAM TO HELP THOSE IN THE COMMUNITY STRUGGLING WITH TOBACCO ADDICTION. CLASSES ARE OFFERED AT A VARIETY OF TIMES AND LOCATIONS TO MAKE PARTICIPATION EASY AND CONVENIENT. CLASSES FOLLOW THE AMERICAN LUNG ASSOCIATION FREEDOM FROM SMOKING PROGRAM, PROVEN TO BE EFFECTIVE FOR MILLIONS OF SMOKERS. PARTICIPATION IN THE PROGRAM INCREASED 32% FROM 2018 TO 2019.</p> <p>THE COMPREHENSIVE LUNG CENTER AT NORTON CANCER INSTITUTE IS A SCREENING CENTER OF EXCELLENCE, AS DESIGNATED BY THE LUNG CANCER ALLIANCE. LED BY A TEAM OF LUNG SPECIALISTS, THE CENTER COMBINES FOUR COMPREHENSIVE COMPONENTS - PREVENTION, SCREENING, DIAGNOSIS AND TREATMENT - TO ENSURE EACH PATIENT HAS ACCESS TO STATE-OF-THE-ART LUNG CANCER SCREENING, SAME-DAY FOLLOW-UP APPOINTMENTS AND FAST-TRACK TREATMENT AND SUPPORT SERVICES.</p> <p>NHI HAS ESTABLISHED A NO SMOKING POLICY ON ALL CAMPUSES TO ELIMINATE EXPOSURE TO TOBACCO SMOKE FOR OUR PATIENTS AND FAMILIES. NHI HAS MULTIPLE PULMONOLOGISTS ON STAFF AND OFFERS A BROAD RANGE OF ACUTE CARE SERVICES AS WELL AS RESPIRATORY THERAPY AT ALL NHI AND AMBULATORY FACILITIES.</p> <p>MENTAL HEALTH</p> <p>NHI IMPLEMENTED THE COLUMBIA-SUICIDE SEVERITY RATING SCALE IN APRIL 2019. THIS IS A QUESTIONNAIRE WHICH IS USED TO ASSESS SUICIDE RISKS FOR PATIENTS AT ALL ACCESS POINTS, INCLUDING THE EMERGENCY ROOM AND AMBULATORY SETTING. THE TOOL IS USED TO ASSESS PATIENT RISK AND ENSURE REFERRAL TO APPROPRIATE RESOURCES FOR TREATMENT.</p> <p>HEALTH EDUCATORS FROM NORTON CHILDREN'S PREVENTION & WELLNESS TEAM PARTNER WITH LOCAL MIDDLE/HIGH SCHOOLS TO OFFER PEER-TO-PEER EDUCATION AND AWARENESS ABOUT MENTAL HEALTH CONCERNS. WORKSHOPS ARE OFFERED IN SCHOOL HEALTH AND PHYSICAL EDUCATION CLASSROOMS, AT AFTER-SCHOOL EVENTS AND SUMMER PROGRAMS. WORKSHOPS PROVIDE PEER EDUCATION TO SUPPORT</p> |

| Return Reference - Identifier | Explanation |
|--|---|
| | <p>YOUNG PEOPLE IN DEVELOPING POSITIVE GROUP NORMS AND MAKING HEALTHY DECISIONS. THIS SERIES TEACHES STUDENTS HOW TO REDUCE STRESS AND EMPOWERS STUDENTS TO BECOME VOICES IN THEIR SCHOOLS AND TO ENCOURAGE HEALTHY BEHAVIORS AND DECISION-MAKING.</p> <p>NORTON CHILDREN'S HOSPITAL OFFERS INPATIENT PSYCHIATRIC CARE FOR CHILDREN AGES 2 TO 17 THROUGH THE ACKERLY CHILD PSYCHIATRIC UNIT. THEIR MISSION IS TO HELP CHILDREN AND FAMILIES REACH THEIR FULLEST POTENTIAL IN A NURTURING AND SAFE ENVIRONMENT. THEY ARE EQUIPPED TO SERVE PATIENTS WITH DEVELOPMENTAL DISABILITIES AND AUTISM, AND EXTEND CARE REGARDLESS OF A FAMILY'S BACKGROUND OR ABILITY TO PAY. IN THE AMBULATORY SETTING, NORTON CHILDREN'S MEDICAL GROUP PSYCHIATRY & PSYCHOLOGY OFFERS CHILD AND ADOLESCENT PSYCHIATRY SERVICES.</p> <p>IN 2019, NHI ESTABLISHED THE NORTON BEHAVIORAL HEALTH PRACTICE, WITH THE GOAL OF PROVIDING CLINICALLY INTEGRATED FAMILY AND PATIENT-CENTERED MENTAL HEALTH CARE. THE PRACTICE OFFERS TELEMEDICINE VISITS IN PRIMARY CARE LOCATIONS TO IMPROVE ACCESS AND HELP OVERCOME THE STIGMA OFTEN ASSOCIATED WITH MENTAL HEALTH FACILITIES. THE PRACTICE CARED FOR ALMOST 2,000 PATIENTS IN 2019.</p> <p>NORTON WOMEN'S MENTAL HEALTH SERVICES PROVIDES OUTPATIENT WOMEN'S MENTAL HEALTH SERVICES ON THE NORTON - ST. MATTHEWS CAMPUS. THEY ARE COMMITTED TO PROVIDING QUALITY MENTAL HEALTH CARE TO WOMEN ACROSS THEIR LIFESPAN.</p> <p>CARE COORDINATION</p> <p>NHI, IN PARTNERSHIP WITH THE UNITED WAY, IS PARTICIPATING IN THE UNITED COMMUNITY INITIATIVE. UNITED COMMUNITY SEEKS TO LINK HEALTH CARE SERVICES AND SOCIAL SERVICES VIA A DATABASE PLATFORM CALLED UNITE US. NHI CAN REFER PATIENTS WITH SOCIOECONOMIC NEEDS TO APPROPRIATE RESOURCES USING THIS DATABASE PLATFORM. THE DATABASE IS INTEGRATED INTO THE PATIENT'S ELECTRONIC MEDICAL RECORD SO THAT PROVIDERS CAN SEE PATIENT REFERRALS TO SOCIAL SERVICES AS WELL AS THE OUTCOME OF THOSE REFERRALS.</p> <p>NHI HAS ESTABLISHED A SOCIAL SERVICES ASSESSMENT TOOL TO STREAMLINE THE SCREENING AND DOCUMENTATION OF SOCIAL NEEDS FOR PATIENTS. THE ASSESSMENT IS INTEGRATED IN THE ELECTRONIC MEDICAL RECORD AND UTILIZED BY SOCIAL WORKERS TO IDENTIFY AND DOCUMENT SOCIAL NEEDS AND TO REFER PATIENTS TO APPROPRIATE SOCIAL SERVICES RESOURCES USING THE UNITE US DATABASE PLATFORM.</p> <p>IN 2019 NHI LAUNCHED THE NORTON BABY APP TO STREAMLINE CARE FOR OBSTETRICS PATIENTS FROM PREGNANCY PLANNING, TO EXPECTING A NEW BABY, TO THE NEW PARENT STAGE. THE APP IS A ONE-STOP-SHOP FOR EXPECTANT MOTHERS AND PROVIDES HEALTH METRICS MONITORING, APPOINTMENT TRACKING, CHECKLISTS, HEALTH TIPS, AND MORE. IN 2019, 904 PATIENTS UTILIZED THE APP.</p> |
| SCHEDULE H, PART V, SECTION B, LINE 13H - OTHER ELIGIBILITY CRITERIA FOR FINANCIAL ASSISTANCE | <p>FACILITY NAME: ALL HOSPITALS</p> <p>DESCRIPTION: OTHER ELIGIBILITY CRITERIA IN ADDITION TO THE CRITERIA ANSWERED ABOVE WOULD INCLUDE AS DESCRIBED IN THE FINANCIAL ASSISTANCE POLICY:</p> <p>*THE PATIENT DOES NOT QUALIFY FOR SUBSIDIZED COVERAGE OF GOVERNMENT ASSISTANCE SUCH AS DISPROPORTIONATE SHARE HOSPITAL, CHILDREN'S HEALTH INSURANCE PROGRAM, MEDICAID, MEDICAID MANAGED CARE ORGANIZATION, OR HOOSIER HEALTHCARE.</p> <p>*TO BE ELIGIBLE FOR ASSISTANCE FOR NON-EMERGENT MEDICALLY NECESSARY CARE, A PATIENT (OR THAT PATIENT'S GUARANTOR) MUST BE A RESIDENT OF KENTUCKY, INDIANA, TENNESSEE, OHIO, OR ILLINOIS. THIS RESIDENCY REQUIREMENT DOES NOT APPLY TO EMERGENCY CARE.</p> |
| SCHEDULE H, PART V, SECTION B, LINE 16A - FAP AVAILABLE WEBSITE | WWW.NORTONHEALTHCARE.COM/FAP |
| SCHEDULE H, PART V, SECTION B, LINE 16B - FAP APPLICATION FORM WEBSITE | WWW.NORTONHEALTHCARE.COM/FAP |
| SCHEDULE H, PART V, SECTION B, LINE 16C - PLAIN LANGUAGE FAP SUMMARY WEBSITE | WWW.NORTONHEALTHCARE.COM/FAP |
| SCHEDULE H, PART V, SECTION B, LINE 16J - OTHER WAYS HOSPITAL PUBLICIZED FINANCIAL ASSISTANCE POLICY | <p>FACILITY NAME: ALL HOSPITALS</p> <p>DESCRIPTION: SEE RESPONSE TO PART VI, LINE 3; PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE.</p> |

Part V Facility Information *(continued)***Section D. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility**
(list in order of size, from largest to smallest)How many non-hospital health care facilities did the organization operate during the tax year? 0

| Name and address | Type of Facility (describe) |
|------------------|-----------------------------|
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Provide the following information.

- 1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 2, 3, 4, 8 and 9b.
- 2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.
- 3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

| Return Reference - Identifier | Explanation |
|--|---|
| SCHEDULE H, PART I, LINE 3C - CRITERIA USED FOR DETERMINING ELIGIBILITY FOR FREE OR DISCOUNTED CARE | NORTON HOSPITALS, INC. HAS A POLICY WHERE WE DISCOUNT CHARGES FOR ALL SELF PAY PATIENTS WITH NO INSURANCE COVERAGE REGARDLESS OF INCOME QUALIFICATIONS. BECAUSE OF THIS POLICY, WE RESPONDED "NO" TO LINE 3B IN THAT WE DO NOT UTILIZE FEDERAL POVERTY GUIDELINES FOR PROVIDING DISCOUNTED CARE. |
| SCHEDULE H, PART I, LINE 6A - NAME OF RELATED ORGANIZATION THAT PREPARED COMMUNITY BENEFIT REPORT | NORTON HEALTHCARE, INC. |
| SCHEDULE H, PART I, LINE 6B - COMMUNITY BENEFIT REPORT | THE ANNUAL COMMUNITY BENEFIT INITIATIVE REPORT IS FOR ALL FIVE HOSPITALS IN NORTON HOSPITALS, INC. (NHI) AND IS CONTAINED IN THE REPORT PREPARED BY NHI' PARENT CORPORATION, NORTON HEALTHCARE, INC. |
| SCHEDULE H, PART I, LINE 7 - EXPLANATION OF COSTING METHODOLOGY USED FOR CALCULATING LINE 7 TABLE | THE COSTING METHODOLOGY USED TO CALCULATE THE COMMUNITY BENEFIT EXPENSES WAS TO CALCULATE THE COST BY HOSPITAL LOCATION (FIVE SEPARATE LOCATIONS UNDER ONE MEDICARE PROVIDER NUMBER). THE COST WAS DETERMINED BASED ON A SPECIFIC LOCATION COST TO CHARGE RATIO. THE COST USED IN THE CALCULATOR WAS REDUCED BY PROVIDER TAXES, GRADUATE MEDICAL EDUCATION EXPENSES, AND OTHER COSTS. THE ADJUSTED COST TO CHARGE RATIO WAS THEN MULTIPLIED TIMES THE GROSS CHARGES FOR QUALIFIED FINANCIAL ASSISTANCE CHARGES, MEDICAID, AND THE STATE DISPROPORTIONATE PROGRAM (OTHER MEANS TESTED GOVERNMENT PROGRAM) TO OBTAIN THE SPECIFIC COMMUNITY BENEFIT EXPENSE. |
| SCHEDULE H, PART I, LINE 7F - BAD DEBT | AS RESULT OF NEW ACCOUNTING GUIDANCE, BAD DEBT IS NO LONGER AN EXPENSE, BUT IS INCLUDED AS A REDUCTION IN NET PATIENT SERVICE REVENUE. |
| SCHEDULE H, PART II - DESCRIBE HOW COMMUNITY BUILDING ACTIVITIES PROMOTE THE HEALTH OF THE COMMUNITY | NORTON HOSPITALS INC. (NHI) SUPPORTED OVER 400 COMMUNITY ORGANIZATIONS WITH LEADERSHIP SUPPORT WHICH INCLUDED OVER 54,000 HOURS AND OVER \$1.0 MILLION IN SALARIES. NHI REPRESENTATIVES SERVED ON A VARIETY OF NONPROFITS AND GOVERNMENT AGENCIES THAT HELPED IMPROVE ACCESS TO HEALTH SERVICES, ENHANCED THE HEALTH OF THE COMMUNITY, ADVANCED MEDICAL AND HEALTH CARE KNOWLEDGE, AND RELIEVED OR REDUCED THE BURDEN OF GOVERNMENT OR COMMUNITY EFFORT. NHI' PURPOSE IS TO PROVIDE QUALITY HEALTH CARE TO ALL THOSE WE SERVE, IN A MANNER THAT RESPONDS TO THE NEEDS OF OUR COMMUNITIES AND HONORS OUR FAITH HERITAGE. OUR COMMUNITY BENEFIT INITIATIVE ALIGNS WITH OUR MISSION TO PROMOTE THE HEALTH OF THE COMMUNITY THROUGH SERVICE ON LOCAL BOARDS, ADVISORY COUNCILS AND VOLUNTEERING. NHI EMPLOYEES REPRESENT NHI ON MANY COMMUNITY BOARD POSITIONS THAT HELP TO ENHANCE THE COMMUNITY INCLUDING THE AMERICAN RED CROSS, GREATER LOUISVILLE INC. BOARD, THE KENTUCKY BOARD OF NURSING, HABITAT FOR HUMANITY, METRO UNITED WAY, THE AMERICAN HEART ASSOCIATION, THE RONALD MCDONALD HOUSE, AND MANY MORE. NHI HAS A RICH CULTURAL HISTORY OF PROVIDING COMMUNITY SUPPORT AND NHI EMPLOYEES ARE PASSIONATE ABOUT SERVING OTHERS AND PROMOTING THE HEALTH OF OUR COMMUNITY. |
| SCHEDULE H, PART III, LINE 2 - METHODOLOGY USED TO ESTIMATE BAD DEBT | AS A RESULT OF NEW ACCOUNTING GUIDANCE, BAD DEBT IS NO LONGER AN EXPENSE, BUT IS INCLUDED AS A REDUCTION IN NET PATIENT REVENUE. |
| SCHEDULE H, PART III, LINE 3 - BAD DEBT EXPENSE UNDER THE ORGANIZATION'S FINANCIAL ASSISTANCE POLICY | FOR FINANCIAL STATEMENT PURPOSES, NORTON HEALTHCARE HAS ADOPTED ACCOUNTING STANDARDS UPDATE NO. 2014-09 (TOPIC 606). IMPLICIT PRICE CONCESSIONS INCLUDES BAD DEBTS. THEREFORE, BAD DEBTS ARE INCLUDED IN NET PATIENT REVENUE IN ACCORDANCE WITH HEALTHCARE FINANCIAL MANAGEMENT ASSOCIATION STATEMENT NO. 15 AND BAD DEBT EXPENSE IS NOT SEPARATELY REPORTED AS AN EXPENSE. THE AMOUNT REPORTED ON PART III, LINE 3 IS THE ESTIMATED COST OF BAD DEBT ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER NORTON HOSPITAL'S FINANCIAL ASSISTANCE POLICY ON A GROSS BASIS. |

| Return Reference - Identifier | Explanation |
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| SCHEDULE H, PART III, LINE 3 - FAP ELIGIBLE PATIENT BAD DEBT CALCULATION METHODOLOGY | THE METHOD USED TO DETERMINE THE AMOUNT THAT REASONABLY COULD BE ATTRIBUTABLE TO PATIENTS WHO LIKELY WOULD QUALIFY FOR FINANCIAL ASSISTANCE UNDER OUR FINANCIAL ASSISTANCE POLICY IS BASED ON OUR OUTSIDE ELIGIBILITY VENDOR'S EXPERIENCE WITH QUALIFYING ACCOUNTS AS FINANCIAL ASSISTANCE. MEDASSIST FIRSTSOURCE, OUR OUTSIDE VENDOR, SCREENS ALL SELF-PAY ACCOUNTS AND BASED ON AN INITIAL SCREENING, WILL CLASSIFY THE ACCOUNT AS PROBABLE FINANCIAL ASSISTANCE. IF THE ACCOUNTS APPEAR TO MEET NORTON HOSPITAL, INC.'S (NHI) FINANCIAL ASSISTANCE PROGRAM GUIDELINES, THESE ACCOUNTS ARE THEN REQUIRED TO SUBMIT THE NECESSARY DOCUMENTATION TO ULTIMATELY BE CLASSIFIED AS A FINANCIAL ASSISTANCE ACCOUNT. BASED ON ALL ACCOUNTS THAT ARE CLASSIFIED AS PROBABLE FINANCIAL ASSISTANCE BY MEDASSIST FIRSTSOURCE AND THEIR EXPERIENCE WITH GETTING ACCOUNTS QUALIFIED AS FINANCIAL ASSISTANCE, IT IS ESTIMATED THAT 60% OF THOSE ACCOUNTS CLASSIFIED AS PROBABLE FINANCIAL ASSISTANCE AND WHICH DO NOT SUBMIT THE REQUIRED DOCUMENTATION WOULD QUALIFY AS A NHI FINANCIAL ASSISTANCE ACCOUNT. THE ESTIMATED COST OF ACCOUNTS THAT ARE ESTIMATED TO QUALIFY FOR OUR FINANCIAL ASSISTANCE PROGRAMS IS CALCULATED BASED ON GROSS CHARGES FOR ACCOUNTS FOR THE YEAR THAT ARE PROBABLE BUT DO NOT SUBMIT THE NECESSARY DOCUMENTATION MULTIPLIED TIMES OUR COST TO CHARGE RATIO TIMES THE 60% ESTIMATED CONVERSION FACTOR. |
| SCHEDULE H, PART III, LINE 4 - FOOTNOTE IN ORGANIZATION'S FINANCIAL STATEMENTS DESCRIBING BAD DEBT | AS A RESULT OF NEW ACCOUNTING GUIDANCE, BAD DEBT IS NO LONGER AN EXPENSE, BUT IS INCLUDED AS A REDUCTION IN NET PATIENT SERVICE REVENUE. THE FOLLOWING PARAGRAPH PER THE AUDITED FINANCIAL STATEMENTS (PAGE 18, SECOND PARAGRAPH) DISCUSSES THE HANDLING OF PATIENT DEDUCTIBLE AND COINSURANCE NOT PAID BY PATIENTS: "GENERALLY, PATIENTS WHO ARE COVERED BY THIRD-PARTY PAYORS ARE RESPONSIBLE FOR PATIENT RESPONSIBILITY BALANCES, INCLUDING DEDUCTIBLES AND COINSURANCE, WHICH VARY IN AMOUNT. THE CORPORATION ESTIMATES THE TRANSACTION PRICE FOR PATIENTS WITH DEDUCTIBLES AND COINSURANCE BASED ON HISTORICAL EXPERIENCE AND CURRENT MARKET CONDITIONS. THE INITIAL ESTIMATE OF THE TRANSACTION PRICE IS DETERMINED BY REDUCING THE STANDARD CHARGE BY ANY EXPLICIT PRICE CONCESSIONS, DISCOUNTS, AND/OR IMPLICIT PRICE CONCESSIONS. SUBSEQUENT CHANGES TO THE ESTIMATE OF THE TRANSACTION PRICE ARE GENERALLY RECORDED AS ADJUSTMENTS TO NET PATIENT SERVICE REVENUE IN THE PERIOD OF CHANGE. ADJUSTMENTS ARISING FROM A CHANGE IN THE TRANSACTION PRICE WERE NOT SIGNIFICANT IN 2019 AND 2018." |
| SCHEDULE H, PART III, LINE 8 - DESCRIBE EXTENT ANY SHORTFALL FROM LINE 7 TREATED AS COMMUNITY BENEFIT AND COSTING METHOD USED | THE COSTING METHODOLOGY USED TO DETERMINE THE MEDICARE ALLOWABLE COST WAS BASED ON THE MEDICARE PRINCIPLES USED IN COMPLETING THE MEDICARE COST REPORT. ALL COST REPORTED CAME FROM THE MEDICARE COST REPORT. NORTON HOSPITALS, INC. (NHI) ACCEPTS ALL MEDICARE PATIENTS WITH THE KNOWLEDGE THAT THERE MAY BE SHORTFALLS AND OPERATES TO PROMOTE THE HEALTH OF THE COMMUNITY. NHI BELIEVES THAT THE MEDICARE SHORTFALL SHOULD BE TREATED AS A COMMUNITY BENEFIT BECAUSE MEDICARE DOES NOT FULLY COMPENSATE NHI FOR THE COST OF PROVIDING HOSPITAL CARE TO MEDICARE BENEFICIARIES. |
| SCHEDULE H, PART III, LINE 9B - DID COLLECTION POLICY CONTAIN PROVISIONS ON COLLECTION PRACTICES FOR PATIENTS WHO ARE KNOWN TO QUALIFY FOR ASSISTANCE | AFTER THE PATIENT'S INITIAL SCREENING FOR FINANCIAL ASSISTANCE, IF IT IS BELIEVED THAT THE PATIENT QUALIFIES FOR FINANCIAL ASSISTANCE; NORTON HOSPITALS INC. WILL NOT START COLLECTION EFFORTS PENDING THE PATIENT SUBMITTING THE NECESSARY INFORMATION TO DOCUMENT MEETING THE FINANCIAL ASSISTANCE QUALIFICATIONS. IF THE PATIENT SUBMITS THE NECESSARY DOCUMENTATION WITHIN A REASONABLE TIME PERIOD, THEN THERE WILL NOT BE ANY COLLECTION EFFORTS MADE TO COLLECT ANY AMOUNT FROM THE PATIENT. THE PATIENT WILL RECEIVE A STATEMENT/BILL REFLECTING THE AMOUNT DUE THROUGH THE FINANCIAL ASSISTANCE APPLICATION PROCESS PENDING THE PATIENT'S FINANCIAL ASSISTANCE APPLICATION. BUT THERE WILL BE NO COLLECTION EFFORTS. ONLY AFTER AN ATTEMPT IS MADE TO CONTACT THE PATIENT TO OBTAIN THE NECESSARY DOCUMENTATION FOR COMPLETING THE FINANCIAL ASSISTANCE APPLICATION AND THE PATIENT NOT RESPONDING WILL COLLECTION EFFORTS BEGIN. THERE IS ONGOING EFFORT THROUGHOUT THE COLLECTION PROCESS TO SCREEN FOR MEDICAID ELIGIBILITY, DISPROPORTIONATE SHARE HOSPITAL, AND THE NEED FOR PROVIDING FINANCIAL ASSISTANCE APPLICATIONS TO PATIENTS. WHEN A PATIENT IS APPROVED FOR FINANCIAL ASSISTANCE, THEIR ACCOUNT BALANCE IS WRITTEN OFF. |
| SCHEDULE H, PART VI, LINE 2 - NEEDS ASSESSMENT | NORTON HOSPITALS, INC (NHI) REGULARLY AND CONSISTENTLY EVALUATES WORKFORCE AND COMMUNITY HEALTH CARE NEEDS THROUGH PARTNERSHIPS WITH LOCAL HEALTH DEPARTMENTS, EMERGENCY MEDICAL SERVICES, LOCAL AND STATE UNIVERSITIES, AND KENTUCKIANA WORKS, THE WORKFORCE INVESTMENT BOARD FOR THE SEVEN COUNTY REGION SURROUNDING LOUISVILLE. PARTNERSHIPS WITH THESE ORGANIZATIONS, ALONG WITH NOT-FOR-PROFIT HEALTH CARE ORGANIZATIONS SUCH AS THE AMERICAN CANCER SOCIETY, AMERICAN HEART ASSOCIATION AND OTHERS, ALSO PROVIDE NHI IMPORTANT STATISTICS AND DATA TO USE IN EVALUATING COMMUNITY ACCESS TO HEALTH CARE SERVICES AND HEALTH CARE DISPARITIES. ADDITIONALLY, NHI ACCESSES DATA FROM ORGANIZATIONS SUCH AS THE CENTER FOR DISEASE CONTROL AND THE UNITED STATES CENSUS BUREAU TO ASSESS AREAS OF GREATEST ANTICIPATED POPULATION GROWTH AND LOW-INCOME AREAS, BOTH OF WHICH MAY BE IN GREATEST NEED FOR PREVENTION EDUCATION, FREE SCREENINGS AND ACCESS TO HEALTH CARE. NORTON HEALTHCARE, INC. (NHC), THE PARENT COMPANY OF NHI, CONDUCTED A COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) FOR ALL FIVE HOSPITALS. THE CHNA DEFINED THE PATIENT SERVICE AREA BY PATIENT ORIGIN FOR INPATIENT STAYS, DEMOGRAPHIC, SOCIOECONOMIC, POPULATION, AND OTHER HEALTH RELATED INDICATORS UTILIZED TO PROVIDE INFORMATION ON THE HEALTH STATUS OF THE COMMUNITY. COMMUNITY INPUT WAS PROVIDED THROUGH PROVIDER AND COMMUNITY INTERVIEWS, TARGETED FOCUS GROUPS AND A COMMUNITY HEALTH SURVEY IN PARTNERSHIP WITH THE LOUISVILLE METRO DEPARTMENT OF PUBLIC HEALTH AND WELLNESS. HEALTH NEEDS WERE PRIORITIZED AND ADDRESSED BASED ON HEALTH STATUS FINDINGS AND THE COMMUNITY INPUT. THE CHNA IS A COMPONENT OF THE ORGANIZATIONS STRATEGIC PLANNING PROCESS AS RESOURCES ARE NECESSARY TO IMPLEMENT STRATEGIES OUTLINED FOR PRIORITIES IDENTIFIED. THE NHC BOARD OF TRUSTEES AS WELL AS THE LEADERSHIP OF NHC AND HOSPITAL CHIEF ADMINISTRATIVE OFFICERS HAVE APPROVED THE ASSESSMENT AND IMPLEMENTATION PLAN. |

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| <p>SCHEDULE H, PART VI, LINE 3 - PATIENT EDUCATION</p> | <p>SIGNAGE IS POSTED IN ALL NORTON HEALTHCARE, INC. (NHC) HOSPITAL FACILITIES, INCLUDING THE ADMISSION AREA AND EMERGENCY ROOM, PROVIDING INFORMATION ON THE ABILITY TO APPLY FOR FINANCIAL ASSISTANCE AND TO SEEK HELP IN PAYING YOUR BILL. THE SIGNAGE IS TRANSLATED IN FIVE LANGUAGES AND ALL LANGUAGES ARE CONTAINED ON THE SAME POSTER. THE LANGUAGES ARE: ENGLISH, SPANISH, VIETNAMESE, CROATIAN, AND ARABIC. AT THE TIME OF REGISTRATION, THE PATIENT ACCESS/REGISTRATION DEPARTMENT DISCUSSES WITH THE PATIENT THE FINANCIAL ASSISTANCE/CHARITY OPTIONS, GUIDELINES, AND PROVIDES ASSISTANCE AS NEEDED IN FILLING OUT A FINANCIAL ASSISTANCE APPLICATION AND ANSWERING QUESTIONS. THE PATIENT MAY ALSO BE REFERRED TO THE NHC ELIGIBILITY VENDOR FOR ASSISTANCE AT NO COST TO THE PATIENT/GUARANTOR. ADDITIONAL QUESTIONS FROM THE PATIENT/GUARANTOR CAN BE FACILITATED THROUGH THE NHC SINGLE BILLING OFFICE (SBO) AREA, CUSTOMER SERVICE, AND NHC VENDORS. NHC HAS CREATED A NUMBER OF DIFFERENT OPTIONS FOR THE PATIENT/GUARANTOR TO SUPPLY THE INFORMATION/APPLICATION FOR FINANCIAL ASSISTANCE TO NHC. THOSE VARIOUS METHODS OF DELIVERY INCLUDE: IN PERSON, BY MAIL, BY FAX, ON-LINE APPLICATION SUBMISSION VIA THE WEBSITE, AND BY SPECIFIC EMAIL ADDRESS. THESE VARIOUS OPTIONS ARE PUBLICIZED AND MADE KNOWN TO THE PATIENT. IN 2019 STATEMENTS MAILED TO THE GUARANTORS BY NORTON HOSPITALS, INC. (NHI) CONTAINED INFORMATION TO START THE FINANCIAL ASSISTANCE APPLICATION PROCESS.</p> <p>NHI EMPLOYS AN OUTSIDE ELIGIBILITY VENDOR, MEDASSIST FIRSTSOURCE. ALL SELF-PAY ACCOUNTS FOR THE FACILITIES ARE PLACED FOR ELIGIBILITY SCREENING WITH MEDASSIST FIRSTSOURCE. THEY SCREEN FOR NHC FINANCIAL ASSISTANCE, MEDICAID, MEDICAID MANAGED CARE ORGANIZATIONS, PRESUMPTIVE ELIGIBILITY, AND DISPROPORTIONATE SHARE HOSPITAL/KENTUCKY CHILDREN'S HEALTH INSURANCE PROGRAM (DSH/KCHIP). IN ADDITION, THEY MAY PROVIDE EDUCATION AND REFERRAL ASSISTANCE TO THE APPROPRIATE COUNTY/STATE DEPARTMENTS FOR FOOD STAMPS, RENT ASSISTANCE, HEATING ASSISTANCE, ETC. THE PROCESS OF COMPLETING THE APPLICATION IS OFTEN PERFORMED BY MEDASSIST FIRSTSOURCE. THEY PROTECT FILING DEADLINES BY SUBMITTING THE APPROPRIATE FORMS TO THE STATE/COUNTY. THEY FOLLOW UP TO SECURE PROOF OF INCOME DOCUMENTS FOR NORTON FINANCIAL ASSISTANCE AND FOLLOW UP WITH A STATE CASEWORKER AS NEEDED. MEDASSIST FIRSTSOURCE ALSO MAKES OUTSIDE FIELD CALLS OR HOME VISITS TO THE PATIENTS TO SECURE THE NEEDED INFORMATION FOR ELIGIBILITY ASSISTANCE IF THE PATIENT IS HOMEBOUND. ADDITIONALLY, MEDASSIST FIRSTSOURCE MAY PROVIDE ASSISTANCE WITH PATIENT TRANSPORTATION NEEDS SO THAT THE PATIENT CAN MAKE THEIR SCHEDULED APPOINTMENTS WITH THEIR CASEWORKER. ALL OF THE SERVICES PROVIDED BY MEDASSIST FIRSTSOURCE ELIGIBILITY ARE AT NO COST TO THE PATIENT. COST TO THE HOSPITALS FOR THESE ELIGIBILITY AND ENROLLMENT SERVICES WAS IN EXCESS OF \$4,700,000 IN 2019.</p> <p>NHI HAS A STAFF OF OVER 11 FULL-TIME EMPLOYEES INCLUDING A SUPERVISOR THAT ARE DEDICATED TO PERFORMING THE FOLLOWING FUNCTIONS: PROCESSING, REVIEWING, AND APPROVING THE HUNDREDS OF FINANCIAL ASSISTANCE APPLICATIONS RECEIVED EACH WEEK. ADDITIONALLY, SOME OF THOSE EMPLOYEES MAKE OUT-BOUND CALLS TO SOLICIT FINANCIAL ASSISTANCE INFORMATION NEEDED TO PROCESS THE PATIENT'S APPLICATION.</p> <p>FINANCIAL ASSISTANCE FOR NORTON FINANCIAL ASSISTANCE IS NOT LIMITED TO THE SELF-PAY POPULATION. EVEN PATIENTS WITH INSURANCE COVERAGE ARE ENCOURAGED TO APPLY FOR ASSISTANCE SO THEIR DEDUCTIBLE, CO-PAYMENTS, AND CO-INSURANCE AMOUNTS ARE COVERED UNDER THE VARIOUS ASSISTANCE PROGRAMS.</p> <p>FINANCIAL COUNSELORS/SOCIAL WORKERS AT THE FACILITIES ARE EDUCATED AND TRAINED TO ASSIST WITH COUNSELING PATIENTS TO DETERMINE AND EXPLAIN OUR FINANCIAL ASSISTANCE PROGRAMS. THEY CONTINUE TO RECEIVE ON-GOING EDUCATION THROUGHOUT THE ENTIRE YEAR REGARDING ELIGIBILITY CHANGES AND ADDITIONS FOR NORTON FINANCIAL ASSISTANCE, DSH/KCHIP, MEDICAID, MEDICAID MANAGED CARE ORGANIZATION, PRESUMPTIVE ELIGIBILITY, ETC.</p> <p>AS THE FOUNDATION OFFICE RECEIVES INQUIRES DIRECTED TO THEIR OFFICES, THEY REFER THESE INDIVIDUALS TO PATIENT FINANCIAL SERVICES (PFS) TO SCREEN FOR POSSIBLE NORTON FINANCIAL ASSISTANCE OR THE CHILDREN'S HOSPITAL FOUNDATION, INC. (CHF) FUNDING.</p> <p>IF A CHILD'S ACCOUNT DOES NOT QUALIFY FOR NORTON FINANCIAL ASSISTANCE, THEN THOSE NOT QUALIFYING FOR CHILDREN'S APPLICATIONS ARE REFERRED TO MANAGEMENT OF PFS FOR CONSIDERATION FOR SPECIAL FUNDING THROUGH CHF AS WELL AS OTHER PROGRAMS.</p> <p>THE CHARITY APPLICATION IS PROVIDED ON THE BACK OF THE SBO STATEMENT. NHI ENSURES THAT ALL PATIENTS ARE MADE AWARE OF FINANCIAL ASSISTANCE REGARDLESS OF WHERE THE PATIENT'S ACCOUNT MAY BE IN THE COLLECTION CYCLE. EVEN IF THE PATIENT/GUARANTOR HAD NOT PREVIOUSLY AVAILED THEMSELVES OF THE OPPORTUNITY TO APPLY FOR FINANCIAL ASSISTANCE AND DECIDED THEY WILL NOW COOPERATE, THEN ALLOWED THE PATIENT/GUARANTOR TO APPLY AND APPROVED IF THEY MEET THE QUALIFICATIONS.</p> <p>FINANCIAL ASSISTANCE NOTIFICATIONS AND APPLICATIONS ARE MADE AVAILABLE TO THE PATIENT/GUARANTOR VIA TELEPHONE, FACE TO FACE MEETINGS, WEBSITE, MAIL, ELECTRONICALLY, ETC. PRIMARY COLLECTION AGENCIES CHOSEN BY NHI INCLUDE WITH THEIR INITIAL PLACEMENT LETTER AN INSERT OF A COPY OF A FINANCIAL ASSISTANCE APPLICATION FOR THE GUARANTOR TO COMPLETE.</p> <p>CALLS RESULTING FROM NOTIFICATION CORRESPONDENCE SENT BY THE COLLECTION AGENCIES MAY BE ROUTED TO SPANISH-SPEAKING CUSTOMER SERVICE REPRESENTATIVES OR PATIENT/GUARANTORS MAY ALSO REQUEST AN INTERPRETER SERVICE TO ASSIST IN FACILITATING INFORMATION REGARDING FINANCIAL ASSISTANCE.</p> <p>NHI HAS TRANSLATED THE FULL FINANCIAL ASSISTANCE POLICY, FINANCIAL ASSISTANCE APPLICATIONS, AND THE PLAIN LANGUAGE SUMMARY INTO FOUR LANGUAGES: SPANISH, VIETNAMESE, CROATIAN, AND ARABIC.</p> <p>NHI'S CUSTOMER SERVICE DEPARTMENT ROUTINELY INSTRUCTS AND SCREENS PATIENTS IN THE PROTOCOL REGARDING FINANCIAL ASSISTANCE THROUGH THE NORTON FINANCIAL ASSISTANCE PROGRAM.</p> <p>SINCE 2007, NHI HAS OFFERED AT THE TIME OF FINAL BILLING ALL TRUE HOSPITAL SELF-PAY PATIENTS A SIGNIFICANT DISCOUNT OFF OF THE TOTAL CHARGES THAT WERE REFLECTED ON THEIR MONTHLY</p> |

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| | <p>STATEMENTS AND THE AMOUNT DUE.</p> <p>CONTRACTED COLLECTION AGENCIES ARE REQUIRED TO SOLICIT FINANCIAL ASSISTANCE APPLICATIONS WHEN THE PATIENT/GUARANTOR INDICATES "CANNOT PAY".</p> <p>THE STATEMENT PROVIDED BY NHI IN 2019 INCLUDED THE LINK TO THE NHC WEBSITE TO ALLOW THE PATIENT/GUARANTOR TO LEARN MORE ABOUT FINANCIAL ASSISTANCE. THE STATEMENT CONTAINS THE FINANCIAL ASSISTANCE APPLICATION ON THE BACK OF THE STATEMENT SO THE GUARANTOR CAN APPLY USING THE ACTUAL NHI STATEMENT AND THEN MAIL, FAX, BRING THE APPLICATION DIRECTLY TO THE FACILITIES, OR EMAIL THE FORM TO PFS. THE STATEMENT INCLUDES A PHONE NUMBER TO CALL TO LEARN MORE ABOUT THE APPLICATION PROCESS AND DISCUSS FINANCIAL ASSISTANCE OPTIONS.</p> |
| <p>SCHEDULE H, PART VI, LINE 4 - COMMUNITY INFORMATION</p> | <p>PRIMARY SERVICE AREA</p> <p>NORTON HOSPITALS INC.'S (NHI) PRIMARY SERVICE AREA POPULATION IS OVER 1.5 MILLION AND EXPECTED TO INCREASE 2% BETWEEN 2020 AND 2025. IN 2016, THE PRIMARY SERVICE AREA INCREASED FROM A 7 COUNTY AREA TO AN AREA INCLUSIVE OF 16 COUNTIES, 5 OF WHICH ARE LOCATED ALONG THE OHIO RIVER BORDER IN KENTUCKY, 4 BORDER THE RIVER IN INDIANA, AND INCLUDES 5 ADDITIONAL KENTUCKY COUNTIES AND 2 ADDITIONAL INDIANA COUNTIES THAT DO NOT BORDER THE OHIO RIVER. 94% OF NHI'S PATIENTS ARE DERIVED FROM THIS SERVICE AREA. APPROXIMATELY 30% OF THE POPULATION IS OVER 55 YEARS OLD; COMPARED TO 29% IN THE USA. THIS PORTION OF THE POPULATION TENDS TO USE ADDITIONAL HEALTHCARE SERVICES. THE PEDIATRIC POPULATION IN 2020 WAS ESTIMATED AT 343,240 AND IS EXPECTED TO INCREASE TO 344,292 WITHIN 5 YEARS AND REPRESENTS 22% OF THE POPULATION. THE NUMBER OF HOUSEHOLDS IN THE PRIMARY SERVICE AREA WAS ESTIMATED AT 611,225 IN 2020 AND IS EXPECTED TO INCREASE 2.7% BY 2025. CURRENTLY 10% OF THE ADULT POPULATION DOES NOT HAVE A HIGH SCHOOL DEGREE AND 18.3% OF THE HOUSEHOLD INCOME IS LESS THAN \$25,000 A YEAR; THE AVERAGE HOUSEHOLD INCOME IS \$84,576 COMPARED TO \$93,707 FOR THE UNITED STATES. NHI TREATS 43% OF THE ADULT INPATIENT CASES IN THE COMMUNITY AND ITS PAYOR MIX IS 50% MEDICARE, 25% MEDICAID/PASSPORT AND 2% SELF PAY. THE LARGEST COUNTY IN THE SERVICE AREA IS JEFFERSON COUNTY AND ITS MAY 2020 PRELIMINARY NON-SEASONALLY ADJUSTED UNEMPLOYMENT RATE WAS 11.9% COMPARED TO 11% FOR KENTUCKY AND 13% FOR THE UNITED STATES.</p> <p>SECONDARY SERVICE AREA</p> <p>NHI'S SECONDARY SERVICE AREA DECREASED FROM 26 COUNTIES TO 17 COUNTIES IN 2016 AS MANY COUNTIES ARE NOW INCLUDED IN THE PRIMARY SERVICE AREA. NHI'S SECONDARY SERVICE AREA POPULATION WAS 431,086 IN 2020 AND IS EXPECTED TO INCREASE 3% BETWEEN 2020 AND 2025. THE SECONDARY SERVICE AREA SPREADS ACROSS 15 KENTUCKY COUNTIES AND 2 INDIANA COUNTIES. THE 55+ AGE COHORT REPRESENTS 30.1% OF THE SECONDARY SERVICE AREA POPULATION AND IS SLIGHTLY HIGHER THAN IN THE UNITED STATES. THE PEDIATRIC POPULATION IN 2020 WAS ESTIMATED AT 97,895 AND EXPECTED TO INCREASE TO 99,069 BY 2025. ALTHOUGH THE PEDIATRIC POPULATION IS EXPECTED TO REMAIN RELATIVELY FLAT (1% GROWTH), THERE IS A NEED FOR CHILDREN TO HAVE APPROPRIATE ACCESS TO CARE IN THE RURAL AREAS OF KENTUCKY. THE NUMBER OF HOUSEHOLDS IN THE SECONDARY SERVICE AREA WAS ESTIMATED AT 169,782 IN 2020 AND IS EXPECTED TO INCREASE 3.1% BY 2025. OVER 47,000 ADULTS IN THIS SERVICE AREA DO NOT HAVE A HIGH SCHOOL EDUCATION AND THE HOUSEHOLD INCOME IS UNDER \$25,000 FOR 25.7% OF THE POPULATION. THE AVERAGE HOUSEHOLD INCOME IS \$65,562, 12% LESS THAN KENTUCKY AND 22% LESS THAN THE PRIMARY SERVICE AREA AVERAGE HOUSEHOLD INCOME.</p> |

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| <p>SCHEDULE H, PART VI, LINE 5 - PROMOTION OF COMMUNITY HEALTH</p> | <p>NORTON HOSPITALS INC. (NHI) IS A NOT-FOR-PROFIT CORPORATION BASED IN LOUISVILLE, KENTUCKY. NHI HAS A TOTAL OF 1,837 LICENSED BEDS: NORTON AUDUBON HOSPITAL, 432 BEDS; NORTON BROWNSBORO HOSPITAL, 127 BEDS; NORTON CHILDREN'S HOSPITAL, 300 BEDS; NORTON HOSPITAL, 605 BEDS; AND NORTON WOMEN'S & CHILDREN'S HOSPITAL, 373 BEDS. THESE FIVE HOSPITALS OPERATE 24 HOURS A DAY, SEVEN DAYS A WEEK.</p> <p>IN 2019, NHI'S HOSPITALS, DIAGNOSTIC CENTERS AND NORTON CANCER INSTITUTE SERVED 76,825 INPATIENTS AND 596,249 OUTPATIENTS, 261,206 EMERGENCY DEPARTMENT VISITS, AND 28,534 OBSERVATION CASES. IN ADDITION, NHI'S OPERATING ROOMS CARED FOR 21,224 INPATIENT SURGICAL PATIENTS AND 37,219 OUTPATIENT SURGICAL PATIENTS. ADDITIONALLY, 7,912 DELIVERIES WERE PERFORMED AT NHI BIRTHING FACILITIES.</p> <p>AS PART OF OUR COMMITMENT TO IMPROVING THE HEALTH OF OUR COMMUNITY, NHI PROVIDES FUNDING FOR A WIDE ARRAY OF LIFESAVING AND LIFE-ENHANCING SERVICES THAT BENEFIT THE COMMUNITIES WE SERVE. IN 2019, UNDER ITS CHARITY CARE PROGRAM, NHI PROVIDED FREE CARE TO 10,522 PATIENTS, AT A COST OF \$13.8 MILLION. ALSO, NHI GRANTS A DISCOUNT FROM BILLED CHARGES TO ANY INDIVIDUALS WHO HAVE NO ACCESS TO PRIVATE HEALTH INSURANCE OR DO NOT QUALIFY FOR GOVERNMENT ASSISTANCE OR CHARITY CARE. UNDER THIS PROGRAM, 14,820 PATIENTS WERE PROVIDED CARE AT DISCOUNTED RATES. OTHER CONTRIBUTIONS TO THE COMMUNITY WERE THE UNPAID COST OF MEDICAID SERVICES OF \$66.0 MILLION AND EDUCATIONAL SUPPORT OF \$54.7 MILLION, PRIMARILY TO THE UNIVERSITY OF LOUISVILLE SCHOOL OF MEDICINE (U OF L). ALSO, COMMUNITY HEALTH IMPROVEMENT SERVICES TOTALED \$10.2 MILLION AND CONTRIBUTIONS TO COMMUNITY GROUPS WERE \$1.7 MILLION.</p> <p>NHI PROVIDES PROGRAMMATIC SUPPORT TO THE U OF L THROUGH FUNDING AND FACILITIES. DURING THE 2019 CALENDAR YEAR, 178 RESIDENTS COMPLETED CLINICAL ROTATIONS IN 41 SPECIALTIES AT NHI FACILITIES. RESIDENCY PROGRAMS ARE PART OF THE \$54.7 MILLION IN EDUCATIONAL SUPPORT AND CLINICAL FUNDING PROVIDED TO THE SCHOOL.</p> <p>NORTON HEART & VASCULAR INSTITUTE</p> <p>NORTON HEART & VASCULAR INSTITUTE PROVIDES CARE TO MORE THAN 250,000 UNIQUE PATIENTS A YEAR, INCLUDING COMPLETING MORE THAN 11,500 SURGICAL PROCEDURES AND 18,850 NONINVASIVE CARDIOVASCULAR DIAGNOSTIC TESTS EACH YEAR. AS THE AREA'S LEADING PROVIDER OF CARDIOVASCULAR CARE, THE INSTITUTE IS COMMITTED TO MEETING THE NEEDS OF THE COMMUNITY, INCLUDING PROVIDING EDUCATION AND SUPPORT TO REDUCE CARDIOVASCULAR LIFESTYLE RISK FACTORS THAT CAN IMPROVE THE HEART HEALTH OF THOSE WE SERVE.</p> <p>*IN 2019, NORTON HEART & VASCULAR INSTITUTE OFFERED THE AREA'S MOST COMPREHENSIVE EDUCATION AND PREVENTION PROGRAM INCLUDING THE FOLLOWING ACTIVITIES AT NO COST TO PARTICIPANTS OR THE COMMUNITY:</p> <p>-IN THE KITCHEN WITH NORTON HEALTHCARE IS A SERIES OF HEART-HEALTHY COOKING CLASSES, INCLUDING DEMONSTRATIONS AND INSTRUCTION THAT HELP ATTENDEES LEARN TO PREPARE HEART-HEALTHY MEALS. PARTICIPANTS RECEIVE SAMPLES AND RECIPES TO TAKE HOME TO CONTINUE THEIR JOURNEY TO A HEART-HEALTHY DIET. 14 CLASSES WERE OFFERED AND 274 PEOPLE ATTENDED IN 2019.</p> <p>-TAI CHI FOR HEART HEALTH IS A FREE CLASS SERIES OFFERED SEVERAL TIMES A YEAR. IT IS DESIGNED FOR THOSE WITH HEART ISSUES TO HELP IMPROVE QUALITY OF LIFE, PSYCHOLOGICAL WELL-BEING, BLOOD PRESSURE, BALANCE, FLEXIBILITY, STRESS AND DEPRESSION. 89 SEPARATE CLASSES WERE COMPLETED AND SERVED 1,365 TOTAL ATTENDEES IN 2019.</p> <p>-A-FIB EDUCATION WORKSHOPS WERE OFFERED THREE TIMES IN 2019. PATIENTS FACING AN ATRIAL FIBRILLATION (A-FIB) DIAGNOSIS LEARNED MORE ABOUT THE LATEST IN TREATMENT AND MEDICATION OPTIONS, STEPS TO LOWER THEIR RISK OF STROKE, AND HOW TO LIVE BETTER WITH A-FIB. TOTAL ATTENDEES FOR 2019 WAS 130.</p> <p>-HEART FAILURE EDUCATION WORKSHOPS WERE OFFERED TO PATIENTS AND THEIR FAMILIES FOUR TIMES IN 2019. THESE WORKSHOPS HELP THEM LEARN ABOUT WAYS TO LIVE A FULL LIFE AND REDUCE SIDE EFFECTS WHILE MANAGING HEART FAILURE. TOTAL ATTENDEES FOR 2019 WAS 94.</p> <p>-CIRCLE OF HEARTS IS A SERIES OF CLASSES FOR PATIENTS WITH HEART AND VASCULAR DISEASE. CLASSES FOCUS ON VARIOUS TOPICS, INCLUDING PREVENTION, HEART HEALTH EDUCATION AND OTHER WELLNESS ISSUES. TOTAL ATTENDEES FOR THE 2019 CLASS SERIES WAS 31.</p> <p>*NORTON HEART & VASCULAR INSTITUTE OFFERS A ONE-OF-A-KIND PATIENT SUPPORT PROGRAM THROUGH ADVOCATES FOR HEALTHY HEARTS. THIS UNIQUE GROUP OF EIGHT ADVOCATES GIVES MEN AND WOMEN A CHANCE TO CONNECT WITH OTHERS WHO ARE HEART DISEASE SURVIVORS THEMSELVES TO PROVIDE INDIVIDUAL SUPPORT AND RESOURCES FOR RECOVERY. ADVOCATES VISIT THOSE PREPARING TO UNDERGO CARDIAC SURGERIES OR OTHER PROCEDURES, AND THOSE WHO ARE IN THE RECOVERY PHASE OF THEIR CARDIAC EVENT. PATIENT VISITS ARE COMPLETED AT NORTON HEALTHCARE'S THREE CENTERS FOR CARDIAC AND PULMONARY REHABILITATION PATIENTS. THE PROGRAM PROVIDED SUPPORT TO 64 HEART PATIENTS IN 2019.</p> <p>*CONNECTING HEARTS FOR SUPPORT, THE ONLY GROUP OF ITS KIND IN KENTUCKY, PROVIDES A MONTHLY OPPORTUNITY FOR MEN AND WOMEN LIVING WITH A HEART CONDITION TO CONNECT FOR SUPPORT AND EDUCATION. THE MONTHLY GROUP IS OFFERED AT MARSHALL WOMEN'S HEALTH & EDUCATION CENTER ON THE NORTON HEALTHCARE - ST. MATTHEWS CAMPUS. IT IS LED BY THE EIGHT TRAINED ADVOCATES FOR HEALTHY HEARTS AND A DESIGNATED CARDIOVASCULAR NURSE NAVIGATOR FROM THE NORTON HEART & VASCULAR INSTITUTE RESOURCE CENTER. THE GROUP PROVIDES EMOTIONAL SUPPORT AS WELL AS EDUCATION ON HEALTHY NUTRITION, EXERCISE AND STRESS MANAGEMENT. IN 2019, 10 SUPPORT GROUP CLASSES WERE OFFERED AND 187 HEART PATIENTS ATTENDED.</p> <p>*NORTON HEART & VASCULAR INSTITUTE IS AN 11-YEAR ACTIVE SUPPORTER OF THE AMERICAN HEART ASSOCIATION'S GO RED FOR WOMEN MOVEMENT. IN 2019, A FREE BREAKOUT SESSION CALLED "HEART HEALTHY COOKING" WAS OFFERED PRIOR TO THE ANNUAL GO RED FOR WOMEN LUNCHEON TO MORE THAN 45 ATTENDEES.</p> <p>*IN 2019, NORTON HEART & VASCULAR INSTITUTE RESOURCE CENTER CARDIOVASCULAR NURSE</p> |

| Return Reference - Identifier | Explanation |
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| | <p>NAVIGATORS ATTENDED 11 HEART HEALTH COMMUNITY EVENTS, INCLUDING HEALTH FAIRS, PRESENTATIONS AND SPEAKING ENGAGEMENTS REPRESENTING BUSINESSES, CHURCHES, WOMEN'S GROUPS AND HEALTH CARE PROFESSIONALS. MORE THAN 1,290 PARTICIPANTS ATTENDED THE EVENTS.</p> <p>*HEART-HEALTHY LIFESTYLE CONSULTATIONS ARE OFFERED TO THE COMMUNITY FOR ONE-ON-ONE INSTRUCTION WITH THE NORTON HEART & VASCULAR INSTITUTE RESOURCE CENTER CARDIOVASCULAR NURSE NAVIGATOR. IN 2019, SIX PEOPLE PARTICIPATED IN THIS OFFERING.</p> <p>NORTON ORTHOPEDIC INSTITUTE</p> <p>NORTON ORTHOPEDIC INSTITUTE EARNED THE JOINT COMMISSION'S GOLD SEAL OF APPROVAL FOR KNEE AND HIP REPLACEMENT. THIS RECOGNITION CONFIRMS NORTON ORTHOPEDIC INSTITUTE PROVIDES A CONSISTENTLY HIGH LEVEL OF QUALITY CARE, EXPERT TRAINING ON BEST PRACTICES, A TEAM APPROACH TO PATIENT CARE AND A CULTURE OF EXCELLENCE THROUGHOUT NORTON HEALTHCARE'S HOSPITALS AND PHYSICIANS' OFFICES.</p> <p>*NORTON ORTHOPEDIC & HAND CENTER ON THE NORTON BROWNSBORO HOSPITAL CAMPUS IS A STATE-OF-THE-ART FACILITY WHERE NORTON HEALTHCARE SPECIALISTS, INCLUDING THOSE FROM NORTON ORTHOPEDIC INSTITUTE AND NORTON SPORTS HEALTH, PROVIDE A MULTIDISCIPLINARY APPROACH TO INNOVATIVE ORTHOPEDIC CARE. THE FACILITY SUPPORTS RESEARCH, TRAINING AND EDUCATION.</p> <p>*HOUSED IN THE SAME BUILDING AS NORTON ORTHOPEDIC & HAND CENTER ARE SUBSPECIALIZED TRAINED ORTHOPEDISTS, A NORTON IMMEDIATE CARE CENTER WITH A FOCUS ON ORTHOPEDICS, REHABILITATION SERVICES, ADVANCED SPORTS TRAINING, AND PRIMARY CARE SERVICES WITH AN EMPHASIS ON ORTHOPEDICS.</p> <p>NORTON WOMEN'S CARE</p> <p>*IN 2019, NORTON WOMEN'S CARE BIRTHING FACILITIES AT NORTON HOSPITAL AND NORTON WOMEN'S & CHILDREN'S HOSPITAL PROVIDED CARE AND MEDICAL SERVICES FOR 7,912 DELIVERIES.</p> <p>* NORTON HOSPITAL AND NORTON WOMEN'S & CHILDREN'S HOSPITAL OFFER FREE CHILDBIRTH EDUCATION CLASSES, HOSTING A TOTAL OF 555 IN 2019.</p> |

| Return Reference - Identifier | Explanation |
|--|--|
| <p>SCHEDULE H, PART VI, LINE 5 - PROMOTION OF COMMUNITY HEALTH</p> | <p>NORTON CHILDREN'S PREVENTION & WELLNESS</p> <p>*CHILD PASSENGER SAFETY TECHNICIANS CHECK CAR AND BOOSTER SEATS AND ALSO PROVIDE CAR AND BOOSTER SEATS AT FREE CHECKUP CLINICS STATEWIDE. IN 2019, 266 CAR SEATS WERE GIVEN TO FAMILIES IN NEED THROUGH THE COMMUNITY EVENTS AND HOSPITAL ADMISSIONS. ADDITIONALLY, 53 SPECIAL NEEDS CAR SEATS WERE LOANED TO CHILDREN WITH BODY CASTS AND PREMATURE INFANTS WHO WOULD NOT FIT IN A CONVENTIONAL CAR SEAT. CERTIFIED CAR SEAT TECHNICIANS COMPLETED 696 CAR SEAT INSPECTIONS. 109 NEW CAR SEAT TECHNICIANS WERE TRAINED AND CERTIFIED LOCALLY AND THROUGHOUT THE STATE.</p> <p>*THE NORTON CHILDREN'S HOSPITAL BIKE SAFETY RODEO PROGRAM HELD 126 RODEO EVENTS TO TEACH BICYCLE SAFETY TO 13,837 STUDENTS FROM GRADES THREE THROUGH FIVE THROUGHOUT KENTUCKY.</p> <p>*FOLLOWING INTERACTIVE CLASSROOM LESSONS ON PEDESTRIAN SAFETY, 430 ELEMENTARY SCHOOL STUDENTS AND TEACHERS PARTICIPATED IN "SAFE KIDS WALK THIS WAY," A PROGRAM LED BY NORTON CHILDREN'S HOSPITAL. THE PROGRAM IS DESIGNED TO REDUCE THE NUMBER OF PEDESTRIAN INJURIES.</p> <p>*NORTON CHILDREN'S HOSPITAL'S "JUST FOR KIDS" TRANSPORT TEAM TRANSPORTS BABIES AND CHILDREN FROM ACROSS THE REGION TO NORTON CHILDREN'S HOSPITAL. TRANSPORTATION IS PROVIDED BY AIRPLANE, HELICOPTER AND SPECIALLY EQUIPPED AMBULANCES (MOBILE INTENSIVE CARE UNITS). IN 2019, 2,389 TRANSPORTATION TRIPS WERE COMPLETED.</p> <p>*MORE THAN 3,300 KINDERGARTEN STUDENTS, TEACHERS, CHAPERONES AND NURSING STUDENTS PARTICIPATED IN THE 36TH ANNUAL CHILDREN & HOSPITALS WEEK EVENT. THE PROGRAM WAS HELD AT LOUISVILLE SLUGGER FIELD AND SUPPORTED BY A KOHL'S CARES GRANT. CHILDREN & HOSPITALS WEEK, HELD EACH YEAR IN THE SPRING, IS DESIGNED TO TEACH SAFE DECISIONS AND BEHAVIORS TO HELP LESSEN THE FEAR AND ANXIETY CHILDREN MAY HAVE ABOUT COMING TO A HOSPITAL.</p> <p>KENTUCKY POISON CONTROL CENTER OF NORTON CHILDREN'S HOSPITAL</p> <p>NORTON CHILDREN'S HOSPITAL IS HOME TO THE KENTUCKY POISON CONTROL CENTER. IN 2019, THE CENTER RECEIVED NEARLY 50,000 CALLS AND MADE NEARLY 37,000 FOLLOW-UP CALLS TO CONCERNED FAMILIES FROM ALL 120 COUNTIES IN KENTUCKY. THE CENTER PROVIDED TREATMENT CONSULTATION AND EDUCATION ABOUT HOW TO CORRECTLY HANDLE EXPOSURES TO POISONS. IN ADDITION, THE CENTER DISTRIBUTED MORE THAN 30,000 PREVENTION EDUCATION RESOURCES TO PHYSICIANS' OFFICES, HEALTH DEPARTMENTS AND SCHOOLS, AND MORE THAN 1,000 PACKETS OF MATERIALS TO INDIVIDUALS WHO CALLED THE TOLL-FREE POISON HELP LINE AT (800) 222-1222, AVAILABLE 24 HOURS A DAY, 7 DAYS A WEEK.</p> <p>NORTON NEUROSCIENCE INSTITUTE</p> <p>FOUNDED IN 2009, NORTON NEUROSCIENCE INSTITUTE IS CONTINUING ITS QUEST TO BE THE REGIONAL AND NATIONAL LEADER IN TREATMENT, RESEARCH AND ACADEMIC TRAINING FOR ADULT AND PEDIATRIC NEUROSCIENCE DISCIPLINES. NORTON NEUROSCIENCE INSTITUTE ALLOWS PATIENTS TO BE TREATED FOR NEUROLOGICAL DISORDERS WITHOUT HAVING TO LEAVE THE REGION FOR CARE. SUBSPECIALTY NEUROSURGEONS, NEUROLOGISTS AND OTHER NEUROLOGICAL-RELATED SPECIALISTS HAVE JOINED THE GROWING INSTITUTE. THESE PHYSICIANS AND ADVANCED PRACTICE PROVIDERS OFFER EXPERTISE IN STROKE CARE, EPILEPSY, PARKINSON'S DISEASE, MULTIPLE SCLEROSIS, AMYOTROPHIC LATERAL SCLEROSIS (ALS), BRAIN TUMORS, HEADACHES, CONCUSSIONS, SPINE CARE, ENDOVASCULAR AND CEREBROVASCULAR NEUROSURGERY AND MANY OTHER NEUROLOGICAL CONDITIONS.</p> <p>*KENTUCKY IS CONSIDERED TO BE PART OF THE STROKE BELT, A REGION OF THE UNITED STATES THAT SEES A HIGH NUMBER OF STROKE CASES. AS A RESULT, NORTON NEUROSCIENCE INSTITUTE HAS COMMITTED TO BEING A LEADER IN STROKE CARE. NORTON BROWNSBORO HOSPITAL IS A DESIGNATED COMPREHENSIVE STROKE CENTER, WHILE NORTON AUDUBON HOSPITAL AND NORTON HOSPITAL ARE CERTIFIED PRIMARY STROKE CENTERS, AND NORTON WOMEN'S & CHILDREN'S HOSPITAL IS AN ACUTE STROKE READY CERTIFIED CENTER.</p> <p>*NEUROSURGEONS WITH NORTON NEUROSCIENCE INSTITUTE WERE THE FIRST IN KENTUCKY TO USE MINIMALLY INVASIVE SURGERY TECHNIQUES, INCLUDING ROBOTIC SURGERY, LASER ABLATION AND STEREOELECTROENCEPHALOGRAPHY IN THE TREATMENT OF BRAIN TUMORS AND EPILEPSY FOR ADULT AND PEDIATRIC PATIENTS.</p> <p>*NORTON NEUROSCIENCE INSTITUTE OFFERS TREATMENT FOR NEARLY ALL NEUROLOGICAL DISORDERS. MUCH OF THE FOCUS IS ON WORKING TOGETHER FOR THE PATIENT, PROVIDING MULTIDISCIPLINARY PROGRAMS FOR BRAIN TUMORS, ALS, MOVEMENT DISORDERS, EPILEPSY, TRIGEMINAL NEURALGIA (FACE PAIN) AND STROKE.</p> <p>*NORTON LEATHERMAN SPINE OFFERS ADVANCED TREATMENT OPTIONS FOR SPINE CONDITIONS SUCH AS CHIARI MALFORMATION, DEGENERATIVE DISC DISEASES, SCOLIOSIS AND SPINAL STENOSIS, AS WELL AS TUMORS AND INFECTIONS OF THE SPINE.</p> <p>*NORTON LEATHERMAN SPINE BRINGS LEADING SPINE SPECIALISTS TOGETHER FOR A COMPREHENSIVE APPROACH TO TREATING ALL SPINE ISSUES. THROUGH A MULTIDISCIPLINARY TEAM APPROACH, NEUROSURGEONS, ORTHOPEDIC SPINE SURGEONS, GENERAL SURGEONS, PAIN MANAGEMENT SPECIALISTS, NEUROLOGISTS, PHYSICAL THERAPISTS, NEURORADIOLOGISTS AND NURSES WORK TOGETHER TO CREATE A PLAN THAT MEETS THE SPECIFIC NEEDS OF EACH PATIENT, LEADING TO BETTER PATIENT OUTCOMES. THE CENTER'S SURGEONS HAVE PIONEERED MANY IMPORTANT BREAKTHROUGHS IN SPINAL TREATMENT THAT ARE PERFORMED IN THE U.S. AND AROUND THE WORLD. IN FACT, PATIENTS FROM AS FAR AWAY AS SOUTH AMERICA, SOUTHEAST ASIA, AND EUROPE HAVE TRAVELED TO LOUISVILLE FOR TREATMENT.</p> <p>*IN 2019, NORTON NEUROSCIENCE INSTITUTE PEDIATRIC NEUROSURGEONS CAME TOGETHER WITH THE UNIVERSITY OF LOUISVILLE SCHOOL OF MEDICINE'S CHILD NEUROLOGY TEAM TO CREATE NORTON CHILDREN'S NEUROSCIENCE INSTITUTE. WHILE BOTH GROUPS HAVING BEEN WORKING TOGETHER FOR DECADES, THE CREATION OF NORTON CHILDREN'S NEUROSCIENCE INSTITUTE, ALLOWS FOR LEADING EXPERTS TO WORK TOGETHER TO TREAT THE FULL SPECTRUM OF PEDIATRIC SPINE AND BRAIN CONDITIONS.</p> |

| Return Reference - Identifier | Explanation |
|---|---|
| SCHEDULE H, PART VI, LINE 6 - DESCRIPTION OF AFFILIATED GROUP | NORTON HEALTHCARE, INC. (THE CONTROLLING COMPANY) AND ITS AFFILIATES, INCLUDING NORTON HOSPITALS, INC., NORTON PROPERTIES, INC., COMMUNITY MEDICAL ASSOCIATES, INC., THE CHILDREN'S HOSPITAL FOUNDATION, INC., NORTON HEALTHCARE FOUNDATION, INC., AND NORTON ENTERPRISES, INC. OPERATE IN THE LOUISVILLE, KENTUCKY METROPOLITAN AREA AND THE OPERATIONS OF THE AFFILIATED HEALTHCARE SYSTEM INCLUDE 1,837 LICENSED BEDS, OVER 250 PHYSICIAN PRACTICE LOCATIONS, AND 16 NORTON IMMEDIATE CARE CENTER LOCATIONS, AND OTHER ANCILLARY HEALTH CARE SERVICES. |
| SCHEDULE H, LINE 7, INPUT 7 - STATE FILING OF COMMUNITY BENEFIT REPORT | NOT REQUIRED AT THIS TIME BY COMMONWEALTH OF KENTUCKY. |

SCHEDULE J
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization

NORTON HOSPITALS, INC.

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

- Complete if the organization answered "Yes" on Form 990, Part IV, line 23.
► Attach to Form 990.
► Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2019

Open to Public Inspection

Employer identification number

61-0703799

Part I Questions Regarding Compensation

1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed on Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.

- | | |
|--|--|
| <input type="checkbox"/> First-class or charter travel | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees |
| <input checked="" type="checkbox"/> Discretionary spending account | <input type="checkbox"/> Personal services (such as maid, chauffeur, chef) |

b If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain

| | Yes | No |
|----|-----|----|
| 1b | ✓ | |

2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, and officers, including the CEO/Executive Director, regarding the items checked on line 1a?

| | | |
|---|---|--|
| 2 | ✓ | |
|---|---|--|

3 Indicate which, if any, of the following the organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III.

- | | |
|--|--|
| <input type="checkbox"/> Compensation committee | <input type="checkbox"/> Written employment contract |
| <input type="checkbox"/> Independent compensation consultant | <input type="checkbox"/> Compensation survey or study |
| <input type="checkbox"/> Form 990 of other organizations | <input type="checkbox"/> Approval by the board or compensation committee |

4 During the year, did any person listed on Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:

- | | | | |
|--|----|---|---|
| a Receive a severance payment or change-of-control payment? | 4a | ✓ | |
| b Participate in, or receive payment from, a supplemental nonqualified retirement plan? | 4b | ✓ | |
| c Participate in, or receive payment from, an equity-based compensation arrangement? | 4c | | ✓ |

If "Yes" to any of lines 4a–c, list the persons and provide the applicable amounts for each item in Part III.

Only section 501(c)(3), 501(c)(4), and 501(c)(29) organizations must complete lines 5–9.

5 For persons listed on Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:

- | | | | |
|--|----|--|---|
| a The organization? | 5a | | ✓ |
| b Any related organization? | 5b | | ✓ |

If "Yes" on line 5a or 5b, describe in Part III.

6 For persons listed on Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:

- | | | | |
|--|----|--|---|
| a The organization? | 6a | | ✓ |
| b Any related organization? | 6b | | |

If "Yes" on line 6a or 6b, describe in Part III.

7 For persons listed on Form 990, Part VII, Section A, line 1a, did the organization provide any nonfixed payments not described on lines 5 and 6? If "Yes," describe in Part III

| | | |
|---|---|--|
| 7 | ✓ | |
|---|---|--|

8 Were any amounts reported on Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III

| | | |
|---|--|---|
| 8 | | ✓ |
|---|--|---|

9 If "Yes" on line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

| | | |
|---|--|--|
| 9 | | |
|---|--|--|

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported on Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that aren't listed on Form 990, Part VII.

Note: The sum of columns (B)(i)–(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual.

| (A) Name and Title | | (B) Breakdown of W-2 and/or 1099-MISC compensation | | | (C) Retirement and other deferred compensation | (D) Nontaxable benefits | (E) Total of columns (B)(i)–(D) | (F) Compensation in column (B) reported as deferred on prior Form 990 |
|--------------------|---|--|-------------------------------------|-------------------------------------|--|-------------------------|---------------------------------|---|
| | | (i) Base compensation | (ii) Bonus & incentive compensation | (iii) Other reportable compensation | | | | |
| 1 | RUSSELL F. COX PRESIDENT & CEO/TRUSTEE | (i) 0 | (ii) 0 | (iii) 0 | 0 | 0 | 0 | 0 |
| | | 1,241,302 | 626,112 | 480,960 | 160,027 | 30,779 | 2,539,179 | 0 |
| 2 | ROBERT B. AZAR SR VP CHIEF LEGAL OFFICER/SECRETARY | (i) 0 | (ii) 0 | (iii) 0 | 0 | 0 | 0 | 0 |
| | | 483,956 | 212,683 | 111,085 | 113,661 | 13,502 | 934,889 | 64,572 |
| 3 | MICHAEL W. GOUGH EXEC VP AND COO | (i) 0 | (ii) 0 | (iii) 0 | 0 | 0 | 0 | 0 |
| | | 841,376 | 387,193 | 1,334,771 | 107,654 | 28,651 | 2,699,645 | 1,110,136 |
| 4 | ADAM KEMPF SR VP, CFO/TREASURER | (i) 0 | (ii) 0 | (iii) 0 | 0 | 0 | 0 | 0 |
| | | 514,491 | 175,229 | 81,877 | 117,543 | 27,503 | 916,643 | 44,472 |
| 5 | MATTHEW AYERS HOSPITAL CAO | (i) 322,524 | (ii) 108,163 | (iii) 51,292 | 65,044 | 23,766 | 570,791 | 38,108 |
| | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6 | JON COOPER HOSPITAL CAO | (i) 284,836 | (ii) 98,237 | (iii) 68,892 | 60,939 | 24,044 | 536,948 | 35,736 |
| | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7 | JOSEPH FLYNN, D.O. CAO NMG - PHYSICIAN -IN-CHIEF NCI | (i) 590,595 | (ii) 186,795 | (iii) 87,192 | 109,844 | 29,040 | 1,003,466 | 66,040 |
| | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8 | CHARLOTTE IPSAN HOSPITAL CAO | (i) 300,304 | (ii) 104,900 | (iii) 79,845 | 73,829 | 24,149 | 583,028 | 36,664 |
| | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9 | ANDREW STRAUSBAUGH HOSPITAL CAO | (i) 296,099 | (ii) 92,991 | (iii) 45,645 | 57,996 | 26,315 | 519,046 | 0 |
| | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10 | YONG CHA, M.D. PHYSICIAN | (i) 641,204 | (ii) 593,672 | (iii) 22,163 | 13,440 | 47,416 | 1,317,895 | 0 |
| | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11 | MARK CORNETT, M.D. PHYSICIAN | (i) 640,988 | (ii) 318,762 | (iii) 30,172 | 16,650 | 37,671 | 1,044,243 | 0 |
| | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12 | SHAWN GLISSON, M.D. PHYSICIAN | (i) 912,961 | (ii) 156,858 | (iii) 4,059 | 12,919 | 37,767 | 1,124,564 | 0 |
| | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 13 | MICHAEL HAHN, M.D. PHYSICIAN | (i) 602,257 | (ii) 426,021 | (iii) 274,194 | 16,111 | 38,064 | 1,356,647 | 0 |
| | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14 | AARON SPALDING, M.D. PHYSICIAN | (i) 641,882 | (ii) 476,668 | (iii) 124,127 | 16,330 | 46,625 | 1,305,632 | 0 |
| | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 15 | MARY GRUEBBEL FORMER, VP PATIENT CARE SVC/CNO | (i) 0 | (ii) 0 | (iii) 185,183 | 4,236 | 241 | 189,661 | 22,116 |
| | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16 | (SEE STATEMENT) | (i) | | | | | | |
| | | (ii) | | | | | | |

Part II**Officers, Directors, Trustees, Key Employees and Highest Compensated Employees** (continued)

| (a) Name | | (b) Breakdown of W-2 and/or 1099-MISC compensation | | | (c) Retirement and other deferred compensation | (d) Nontaxable benefits | (e) Total of columns (b)(i)-(d) | (f) Compensation reported in prior Form 990 or Form 990-EZ |
|--|------|---|-------------------------------------|-------------------------------------|---|----------------------------|------------------------------------|---|
| | | (i) Base Compensation | (ii) Bonus & incentive compensation | (iii) Other reportable compensation | | | | |
| (16) THOMAS KMETZ FORMER DIVISION PRESIDENT WOMEN AND CHILDREN SERVICES | (i) | 0 | 0 | 599,625 | 99,427 | 19,959 | 719,010 | 595,173 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (17) STEPHEN WILLIAMS FORMER CEO | (i) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (ii) | 0 | 0 | 593,451 | 0 | 23,710 | 617,161 | 0 |

Part III

Supplemental Information. Provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

| Return Reference - Identifier | Explanation |
|---|--|
| SCHEDULE J, PART I, LINE 1A - DISCRETIONARY SPENDING ACCOUNT | <p>DISCRETIONARY SPENDING ACCOUNTS ARE TREATED AS TAXABLE COMPENSATION. THE ORGANIZATION PROVIDES A DISCRETIONARY SPENDING ACCOUNT FOR ELIGIBLE NORTON HEALTHCARE, INC. (NHC) EXECUTIVES, EFFECTIVE OCTOBER 1, 2007. NHC PROVIDES BENEFITS TO ITS IDENTIFIED EXECUTIVE STAFF TO PROVIDE A TOTAL COMPENSATION PACKAGE THAT IS COMPETITIVE WITH THE MARKET AND WHICH CONFORMS TO THE PHILOSOPHY AND GUIDELINES SET OUT BY THE BOARD OF TRUSTEES, THROUGH THE EXECUTIVE COMPENSATION PHILOSOPHY AND PROGRAMS. THROUGH THE DISCRETIONARY SPENDING ACCOUNT POLICY, EXECUTIVES ARE FREE TO CHOOSE WHATEVER BENEFITS THEY FIND MOST USEFUL OR IMPORTANT TO THEM AND NHC DOES NOT REIMBURSE FOR THE COST OF THOSE BENEFITS, AS THEY ARE PART OF THE DISCRETIONARY SPENDING ACCOUNT.</p> <p>THE INTERESTED PERSONS LISTED BELOW RECEIVED THE BENEFIT OF A DISCRETIONARY SPENDING ACCOUNT IN 2019:</p> <p>MATTHEW AYERS - \$10,000 THOMAS KMETZ - \$17,500 CHARLOTTE IPSAN - \$10,000 JON COOPER - \$10,000 JOSEPH FLYNN - \$10,000 ANDREW STRAUSBAUGH - \$10,000</p> |
| SCHEDULE J, PART I, LINE 3 - ARRANGEMENT USED TO ESTABLISH THE TOP MANAGEMENT OFFICIAL'S COMPENSATION | <p>NORTON HEALTHCARE INC (NHC) EIN 61-1028725 IS THE PARENT ORGANIZATION FOR NORTON HOSPITALS, INC. AND THEREFORE ESTABLISHES COMPENSATION FOR THE CEO, OFFICERS AND KEY EMPLOYEES THROUGH ENGAGING WITH THE EXECUTIVE COMMITTEE OF NHC; AN INDEPENDENT COMPENSATION CONSULTANT; WRITTEN EMPLOYMENT AGREEMENTS; THIRD PARTY COMPENSATION SURVEYS AND APPROVAL BY THE EXECUTIVE COMMITTEE AND BOARD. SEE NARRATIVE IN SCHEDULE O, REFERENCING PART VI, LINE 15 WHICH FURTHER DESCRIBES THE PROCESS FOR DETERMINING COMPENSATION FOR THE ORGANIZATION.</p> |
| SCHEDULE J, PART I, LINE 4A - SEVERANCE OR CHANGE-OF-CONTROL PAYMENT | <p>SEVERANCE PAYMENT WAS RECEIVED DURING 2019 BY KEY EMPLOYEE: THOMAS KMETZ IN THE AMOUNT OF \$525,705 OTHER COMPENSATION INCLUDED IN SCHEDULE J COLUMN B(III) AND FORMER KEY EMPLOYEE: MARY GRUEBBEL IN THE AMOUNT OF \$108,258 OTHER COMPENSATION INCLUDED IN SCHEDULE J COLUMN B(III)</p> |
| SCHEDULE J, PART I, LINE 4B - SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN | <p>THE FOLLOWING INTERESTED PERSONS PARTICIPATED IN OR RECEIVED PAYMENT FROM SUPPLEMENTAL NONQUALIFIED RETIREMENT PLANS AS DESCRIBED IN IRC SECTION 457(F). THE INTERESTED PERSONS BELOW MAY HAVE PARTICIPATED IN ONE OR MORE OF THE FOLLOWING PLANS: THE EXECU-PLUS BENEFIT PLAN, DEFINED BENEFIT AND DEFINED CONTRIBUTION RESTORATION PLANS, AND THE PHYSICIAN DEFERRED PLAN.</p> <p>THE "PAY CREDIT" OUTLINED BELOW REPRESENTS A REASONABLE ESTIMATE OF THE ANNUAL INCREASE IN ACTUARIAL VALUE OF THE PLANS; AND THEREFORE, REPRESENTS THE ORGANIZATION'S CONTRIBUTION TO THE VALUE OF THE BENEFITS.</p> <p>NAME - PAY CREDIT RUSSELL F. COX - \$141,621 MICHAEL W. GOUGH - \$89,896 ROBERT AZAR - \$97,041 ADAM KEMPF - \$102,103 MATTHEW AYERS - \$49,277 JON COOPER - \$44,979 CHARLOTTE IPSAN - \$51,717 THOMAS KMETZ - \$82,549 JOSEPH FLYNN - \$95,844 ANDREW STRAUSBAUGH - \$42,545</p> <p>THE "PAYMENT RECEIVED" OUTLINED BELOW REPRESENTS CASH PAYMENTS THAT THE EMPLOYEE RECEIVED DURING 2019 AND CAN BE COMPRISED OF CURRENT AND OR PRIOR YEARS EMPLOYEE AND EMPLOYER CONTRIBUTIONS.</p> <p>NAME - PAYMENT RECEIVED RUSSELL F. COX - \$133,455 MICHAEL W. GOUGH - \$1,201,977 ROBERT AZAR - \$67,016 ADAM KEMPF - \$43,053 MATTHEW AYERS - \$36,520 JON COOPER - \$35,556 CHARLOTTE IPSAN - \$36,390 THOMAS KMETZ - \$69,436 JOSEPH FLYNN - \$67,452 ANDREW STRAUSBAUGH - \$31,438 MARY GRUEBBEL - \$76,925 MICHAEL HAHN - \$253,400</p> |
| SCHEDULE J, PART I, LINE 7 - NON-FIXED PAYMENTS | <p>IN 2019, NORTON HEALTHCARE, INC. (NHC) HAD IN PLACE A VARIABLE COMPENSATION PLAN FOR EXECUTIVES, ELIGIBILITY UNDER WHICH EXTENDED TO EMPLOYEES HOLDING A FULL-TIME POSITION AS SENIOR OFFICER, OFFICER, SYSTEM DIRECTOR OR OTHER DESIGNATED DIRECTOR LEVEL POSITION. UNDER THE PLAN, A VARIABLE COMPENSATION POOL AMOUNT IS APPROVED BY THE BOARD OF TRUSTEES. EACH PARTICIPANT'S PERFORMANCE IS EVALUATED RELATIVE TO THE GOALS AND OBJECTIVES DOCUMENTED AS PART OF THE PARTICIPANT'S PLAN; AND AN AWARD IS DETERMINED FOR THE PARTICIPANT, BASED ON ACHIEVEMENT OF THE GOALS AND OBJECTIVES, SUBJECT TO THE FUNDING OF THE VARIABLE COMPENSATION POOL. AT THE END OF EACH YEAR, THE COMMITTEE ON EXECUTIVE COMPENSATION AND BENEFITS DETERMINES AN APPROPRIATE AWARD FOR THE NHC'S PRESIDENT & CHIEF EXECUTIVE OFFICER, AND THE PRESIDENT & CHIEF EXECUTIVE OFFICER RECOMMENDS APPROPRIATE AWARDS FOR OTHER SENIOR EXECUTIVES TO THE COMMITTEE ON EXECUTIVE COMPENSATION AND BENEFITS FOR ITS REVIEW AND APPROVAL.</p> |

SCHEDULE L
(Form 990 or 990-EZ)Department of the Treasury
Internal Revenue Service**Transactions With Interested Persons**

▶ **Complete if the organization answered "Yes" on Form 990, Part IV, line 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.**
▶ **Attach to Form 990 or Form 990-EZ.**
▶ **Go to www.irs.gov/Form990 for instructions and the latest information.**

OMB No. 1545-0047

2019**Open To Public Inspection**

Name of the organization

NORTON HOSPITALS, INC.

Employer identification number

61-0703799

Part I**Excess Benefit Transactions** (section 501(c)(3), section 501(c)(4), and section 501(c)(29) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b.

| 1 | (a) Name of disqualified person | (b) Relationship between disqualified person and organization | (c) Description of transaction | (d) Corrected? | |
|-----|---------------------------------|---|--------------------------------|----------------|----|
| | | | | Yes | No |
| (1) | | | | | |
| (2) | | | | | |
| (3) | | | | | |
| (4) | | | | | |
| (5) | | | | | |
| (6) | | | | | |

2 Enter the amount of tax incurred by the organization managers or disqualified persons during the year under section 4958. ▶ \$

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization ▶ \$

Part II**Loans to and/or From Interested Persons.**

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a or Form 990, Part IV, line 26; or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22.

| (a) Name of interested person | (b) Relationship with organization | (c) Purpose of loan | (d) Loan to or from the organization? | | (e) Original principal amount | (f) Balance due | (g) In default? | | (h) Approved by board or committee? | | (i) Written agreement? | |
|-------------------------------|------------------------------------|---------------------|---------------------------------------|------|-------------------------------|-----------------|-----------------|----|-------------------------------------|----|------------------------|----|
| | | | To | From | | | Yes | No | Yes | No | Yes | No |
| (1) | | | | | | | | | | | | |
| (2) | | | | | | | | | | | | |
| (3) | | | | | | | | | | | | |
| (4) | | | | | | | | | | | | |
| (5) | | | | | | | | | | | | |
| (6) | | | | | | | | | | | | |
| (7) | | | | | | | | | | | | |
| (8) | | | | | | | | | | | | |
| (9) | | | | | | | | | | | | |
| (10) | | | | | | | | | | | | |
| Total | | | | | | ▶ \$ | | | | | | |

Part III**Grants or Assistance Benefiting Interested Persons.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

| (a) Name of interested person | (b) Relationship between interested person and the organization | (c) Amount of assistance | (d) Type of assistance | (e) Purpose of assistance |
|-------------------------------|---|--------------------------|------------------------|---------------------------|
| (1) | | | | |
| (2) | | | | |
| (3) | | | | |
| (4) | | | | |
| (5) | | | | |
| (6) | | | | |
| (7) | | | | |
| (8) | | | | |
| (9) | | | | |
| (10) | | | | |

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Cat. No. 50056A

Schedule L (Form 990 or 990-EZ) 2019

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

| (a) Name of interested person | (b) Relationship between interested person and the organization | (c) Amount of transaction | (d) Description of transaction | (e) Sharing of organization's revenues? | |
|-------------------------------|---|---------------------------|--------------------------------|---|----|
| | | | | Yes | No |
| (1) (SEE STATEMENT) | | | | | |
| (2) | | | | | |
| (3) | | | | | |
| (4) | | | | | |
| (5) | | | | | |
| (6) | | | | | |
| (7) | | | | | |
| (8) | | | | | |
| (9) | | | | | |
| (10) | | | | | |

Supplemental information:
Provide additional information for responses to questions on Schedule L (see instructions).

Part IV**Business Transactions Involving Interested Persons** (continued)

| (a) Name of interested person | (b) Relationship between interested person and the organization | (c) Amount of transaction | (d) Description of transaction | (e) Sharing of organization's revenues? | |
|-------------------------------|---|---------------------------|--------------------------------|---|----|
| | | | | Yes | No |
| (1) JASON NACAZEL | FAMILY MEMBER OF RONALD LEHOCKY, TRUSTEE | \$85,608 | COMPENSATION | | ✓ |
| (2) BARBARA KMETZ | FAMILY MEMBER OF THOMAS KMETZ, KEY EMPLOYEE | \$89,903 | COMPENSATION | | ✓ |
| (3) SARAH A. ROBINSON | FAMILY MEMBER OF DONALD H ROBINSON, TRUSTEE | \$59,964 | COMPENSATION | | ✓ |
| (4) LORRAINE BOUVETTE | FAMILY MEMBER OF MARIE BOUVETTE, TRUSTEE | \$72,915 | COMPENSATION | | ✓ |

**SCHEDULE O
(Form 990 or 990-EZ)**Department of Treasury Internal
Revenue Service**Supplemental Information to Form 990 or 990-EZ**Complete to provide information for responses to specific questions on
Form 990 or 990-EZ or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

▶ Go to www.irs.gov/Form990 for the latest information.

OMB No. 1545-0047

2019

Open to Public Inspection

Name of the Organization
NORTON HOSPITALS, INC.Employer Identification Number
61-0703799

| Return Reference - Identifier | Explanation |
|--|--|
| FORM 990, PART III, LINE 4A - PROGRAM SERVICE DESCRIPTION | OPERATING ROOMS CARED FOR 21,224 INPATIENT SURGICAL PATIENTS AND 37,219 OUTPATIENT SURGICAL PATIENTS. ADDITIONALLY, 7,912 DELIVERIES WERE PERFORMED AT NHI BIRTHING CENTERS. UNDER ITS CHARITY CARE PROGRAM, NHI PROVIDED FREE CARE TO 10,522 PATIENTS, AT A COST OF \$13.8 MILLION. ALSO, NHI GRANTS PATIENTS A DISCOUNT FROM BILLED CHARGES TO ANY INDIVIDUALS THAT HAVE NO ACCESS TO PRIVATE HEALTH INSURANCE OR DO NOT QUALIFY FOR GOVERNMENT ASSISTANCE OR CHARITY CARE. UNDER THIS PROGRAM, 14,820 PATIENTS WERE PROVIDED CARE AT DISCOUNTED RATES. OTHER CONTRIBUTIONS TO THE COMMUNITY WERE THE UNPAID COST OF MEDICAID SERVICES OF \$66.0 MILLION AND EDUCATIONAL SUPPORT OF \$54.7 MILLION, PRIMARILY TO THE UNIVERSITY OF LOUISVILLE'S SCHOOL OF MEDICINE. ALSO, COMMUNITY HEALTH IMPROVEMENT SERVICES TOTALED \$10.2 MILLION, AND CONTRIBUTIONS TO COMMUNITY GROUPS WERE \$1.7 MILLION. |
| FORM 990, PART V, LINE 1A - COMMON PAYING AGENT 1099S | NORTON HEALTHCARE, INC. (NHC) EIN 61-1028725 IS THE COMMON PAYING AGENT FOR NORTON HOSPITALS, INC. (NHI) AND THEREFORE, ALL VENDORS, INCLUDING INDEPENDENT CONTRACTORS, ARE PAID AND REPORTED BY NHC ON BEHALF OF NHI. FOR PURPOSES OF PART V, LINE 1, THE NUMBER OF 1099S REPORTED AND FILED FOR 2019 BY NHC FOR NHI, WAS APPROXIMATELY 232. NHI HAS 154 INDEPENDENT CONTRACTORS EXCEEDING \$100,000 FOR 2019. |
| FORM 990, PART V, LINE 2A - COMMON PAYING AGENT FOR EMPLOYEES | NORTON HEALTHCARE, INC. (NHC) EIN 61-102875 IS THE COMMON PAYING AGENT FOR NORTON HOSPITALS, INC. (NHI) THEREFORE, ALL APPLICABLE IRS TAX COMPLIANCE FILINGS ARE REPORTED BY NHC ON BEHALF OF NHI. NHI HAS APPROXIMATELY 11,793 EMPLOYEES. |
| FORM 990, PART VI, LINE 1A - DELEGATE BROAD AUTHORITY TO A COMMITTEE | THE EXECUTIVE COMMITTEE SHALL POSSESS AND MAY EXERCISE ALL THE POWERS AND AUTHORITY OF THE BOARD OF TRUSTEES IN THE MANAGEMENT AND DIRECTION OF THE BUSINESS AND AFFAIRS OF THE CORPORATION. HOWEVER, THE EXECUTIVE COMMITTEE DOES NOT POSSESS THE AUTHORITY TO DO THE FOLLOWING: A) FILL VACANCIES ON THE BOARD; B) CHANGE THE MEMBERSHIP OF THE EXECUTIVE COMMITTEE; C) MAKE DECISIONS TO MERGE, LIQUIDATE, OR OTHERWISE MAKE DECISIONS OUTSIDE OF THE NORMAL COURSE OF BUSINESS; D) MAKE FINAL DETERMINATIONS OF LONG-TERM POLICY; E) HIRE OF FIRE THE CHIEF EXECUTIVE OFFICER; AND F) AMEND THE ARTICLES OF INCORPORATION OR BYLAWS. |
| FORM 990, PART VI, LINE 6 - CLASSES OF MEMBERS OR STOCKHOLDERS | NORTON HEALTHCARE, INC. EIN 61-1028725 IS THE SOLE MEMBER OF NORTON HOSPITALS, INC. |
| FORM 990, PART VI, LINE 7A - MEMBERS OR STOCKHOLDERS ELECTING MEMBERS OF GOVERNING BODY | THE BOARD OF TRUSTEES OF NORTON HEALTHCARE, INC. APPOINTS THE TRUSTEES OF THE ORGANIZATION. |
| FORM 990, PART VI, LINE 7B - DECISIONS REQUIRING APPROVAL BY MEMBERS OR STOCKHOLDERS | ACCORDING TO THE ARTICLES OF INCORPORATION OF THE ORGANIZATION, NORTON HEALTHCARE, INC. (NHC) THE SOLE MEMBER, POSSESSES ALL OF THE RIGHTS GRANTED TO A MEMBER PURSUANT TO LAW, INCLUDING THE RIGHT TO ELECT TRUSTEES OR DIRECTORS AND APPROVE AMENDMENTS TO THE ARTICLES OF INCORPORATION OF THE ORGANIZATION. NHC ALSO POSSESSES THE RIGHT TO REQUIRE THE ORGANIZATION TO (I) PROVIDE CONTRIBUTIONS OF FUNDS OF THE ORGANIZATION TO PAY ALL TO A PORTION OF THE PRINCIPLE OF , INTEREST ON, AND ALL OTHER PAYMENTS TO BECOME DUE AND OWING WITH RESPECT TO ANY AND ALL INDEBTEDNESS INCURRED BY NHC, AND (II) PROVIDE SECURITY FOR SUCH INDEBTEDNESS. |
| FORM 990, PART VI, LINE 11B - REVIEW OF FORM 990 BY GOVERNING BODY | AT THE OCTOBER 1, 2020 NORTON HEALTHCARE, INC. (NHC) FINANCE COMMITTEE MEETING AND AT THE OCTOBER 8, 2020 NHC BOARD OF TRUSTEES MEETING, THE 990S WERE DISCUSSED AND COMMITTEE MEMBERS AND TRUSTEES HAD AN OPPORTUNITY TO ASK QUESTIONS. COINCIDING WITH THE FINANCE COMMITTEE MEETING, ELECTRONIC COPIES OF THE 990S WERE MADE AVAILABLE TO ALL MEMBERS OF THE FINANCE COMMITTEE AND BOARD OF TRUSTEES THROUGH THE DIRECTORS PORTAL SITE, PRIOR TO THE FILING WITH THE IRS. NHC IS THE PARENT OF COMMUNITY MEDICAL ASSOCIATES, INC., NORTON HOSPITALS, INC., NORTON PROPERTIES, INC., NORTON HEALTHCARE FOUNDATION, INC., AND THE CHILDREN'S HOSPITAL FOUNDATION, INC. |
| FORM 990, PART VI, LINE 12C - CONFLICT OF INTEREST POLICY | THE ORGANIZATION REGULARLY AND CONSISTENTLY MONITORS AND ENFORCES COMPLIANCE WITH THE CONFLICT OF INTEREST POLICY BY ANNUALLY DISTRIBUTING A QUESTIONNAIRE THAT REQUIRES OFFICERS, TRUSTEES, AND KEY EMPLOYEES TO DISCLOSE INTERESTS THAT MAY GIVE RISE TO CONFLICTS. IF A CONFLICT ARISES, THE POLICY PROVIDES PROCEDURES FOR ADDRESSING CONFLICTS TO ENSURE DECISIONS ARE MADE IN THE BEST INTEREST OF THE ORGANIZATION. |
| FORM 990, PART VI, LINE 15A - PROCESS TO ESTABLISH COMPENSATION OF TOP MANAGEMENT OFFICIAL | PLEASE SEE EXPLANATION PROVIDED FOR FORM 990, PART VI, LINE 15B. |

| Return Reference - Identifier | Explanation | | | | |
|---|--|-----------------|------------|--------------------|-----------|
| FORM 990, PART VI, LINE 15B - PROCESS TO ESTABLISH COMPENSATION OF OTHER OFFICERS OR KEY EMPLOYEES | <p>THE ORGANIZATION TAKES ALL NECESSARY STEPS TO ENSURE THAT COMPENSATION FOR ALL OFFICERS, DIRECTORS AND KEY EMPLOYEES IS REASONABLE AND APPROPRIATE FOR THE SERVICES PROVIDED TO THE ORGANIZATION. THE ORGANIZATION PROVIDES A TOTAL COMPENSATION PACKAGE THAT IS ON PAR WITH COMPENSATION PROVIDED BY SIMILAR ORGANIZATIONS AND WHICH CONFORMS TO THE POLICIES AND GUIDELINES SET OUT BY THE BOARD OF TRUSTEES.</p> <p>NORTON HEALTHCARE, INC. (NHC) ENGAGES AN OUTSIDE INDEPENDENT COMPENSATION CONSULTANT, INTEGRATED HEALTHCARE STRATEGIES (IHS)/GALLAGHER, TO PROVIDE COMPARABILITY DATA FOR NHC'S OFFICERS AND KEY EMPLOYEES ON TOTAL COMPENSATION FOR SIMILAR POSITIONS AT HEALTH SYSTEMS AND HOSPITAL ORGANIZATIONS SIMILAR IN SIZE, SCOPE OF SERVICES, AND CIRCUMSTANCES. IN ADDITION, THE ORGANIZATION PARTICIPATES IN THIRD PARTY SURVEYS WHICH PROVIDE AGGREGATE, COMPARATIVE COMPENSATION DATA FOR OFFICERS AND KEY EMPLOYEES IN SIMILAR POSITIONS AT SIMILAR ORGANIZATIONS.</p> <p>IHS/GALLAGHER CONSULTANTS PRESENTED AND DISCUSSED THIS COMPARABILITY DATA IN 2018 FOR THE 2019 COMPENSATION REVIEW AND MET IN 2019 FOR THE 2020 COMPENSATION REVIEW WITH THE COMMITTEE OF BOARD LEADERSHIP (NOW EXECUTIVE COMMITTEE) OF THE BOARD OF TRUSTEES (BOARD) THE COMMITTEE REVIEWED THE EXECUTIVE COMPENSATION AND BENEFITS PROGRAM, DETERMINED TOTAL COMPENSATION FOR THE CEO, AND APPROVED COMPENSATION FOR OTHER OFFICERS AND KEY EMPLOYEES. THE COMMITTEE REVIEWED NHC'S VARIABLE COMPENSATION PROGRAM AND DETERMINED APPROPRIATE AWARDS FOR PERFORMANCE RELATIVE TO GOALS SET FOR THE YEAR. AFTER THE COMMITTEE DETERMINED APPROPRIATE COMPENSATION AND BENEFITS FOR OFFICERS AND KEY EMPLOYEES, THE BOARD APPROVED THEIR TOTAL COMPENSATION.</p> | | | | |
| FORM 990, PART VI, LINE 19 - REQUIRED DOCUMENTS AVAILABLE TO THE PUBLIC | FINANCIAL STATEMENTS ARE AVAILABLE HERE: HTTPS://NORTONHEALTHCARE.COM/ABOUT-US/FINANCIAL-INFORMATION/ , GOVERNING DOCUMENTS, AND CONFLICTS OF INTEREST POLICIES ARE NOT REQUIRED DISCLOSURES PURSUANT TO INTERNAL REVENUE CODE (IRC) SECTION 6104. THESE DOCUMENTS ARE NOT AVAILABLE TO THE PUBLIC. | | | | |
| FORM 990, PART VII, SECTION A, LINE 1A, COLUMN (E) - BOARD MEMBER STIPEND PAYMENTS | NORTON HEALTHCARE, INC. (NHC) AND AFFILIATES (NORTON HOSPITALS, INC., COMMUNITY MEDICAL ASSOCIATES, INC., NORTON PROPERTIES, INC., NORTON HEALTHCARE FOUNDATION, INC., AND THE CHILDREN'S HOSPITAL FOUNDATION, INC.) ENCOURAGES AND FACILITATES BOARD MEMBER ATTENDANCE AT EDUCATIONAL PROGRAMS AND CONFERENCES ON SUBJECTS RELEVANT TO NHC. NHC'S TRAVEL POLICY FOR BOARD OF TRUSTEES PROVIDES THAT FOR EACH TRUSTEE THAT ATTENDS AT LEAST ONE OUT OF TOWN EDUCATIONAL CONFERENCE, A LUMP SUM STIPEND WILL BE PAID TO COVER UNREIMBURSED TRAVEL EXPENSE AND OTHER MISCELLANEOUS EXPENSES ASSOCIATED WITH CONFERENCE PREPARATION, ATTENDANCE OR FOLLOW UP. IN COMPLIANCE WITH IRS REGULATIONS, NHC PROVIDES A FORM 1099 TO ANY TRUSTEE THAT RECEIVES A STIPEND. THESE AMOUNTS HAVE BEEN REPORTED IN PART VII OR THE FORM 990 AS REPORTABLE COMPENSATION TO THE TRUSTEE RECEIVING STIPENDS IN 2019. | | | | |
| FORM 990, PART XI, LINE 9 - OTHER CHANGES IN NET ASSETS OR FUND BALANCES | <table> <tr> <th>(a) Description</th><th>(b) Amount</th></tr> <tr> <td>AFFILIATE TRANSFER</td><td>- 284,191</td></tr> </table> | (a) Description | (b) Amount | AFFILIATE TRANSFER | - 284,191 |
| (a) Description | (b) Amount | | | | |
| AFFILIATE TRANSFER | - 284,191 | | | | |

**SCHEDULE R
(Form 990)**

Department of the Treasury
Internal Revenue Service

Name of the organization
NORTON HOSPITALS, INC.

Related Organizations and Unrelated Partnerships

► Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.

► Attach to Form 990.

► Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2019

**Open to Public
Inspection**

Employer identification number
61-0703799

Part I Identification of Disregarded Entities. Complete if the organization answered "Yes" on Form 990, Part IV, line 33.

| (a) Name, address, and EIN (if applicable) of disregarded entity | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Total income | (e) End-of-year assets | (f) Direct controlling entity |
|---|-------------------------|--|---------------------|---------------------------|----------------------------------|
| (1) | | | | | |
| (2) | | | | | |
| (3) | | | | | |
| (4) | | | | | |
| (5) | | | | | |
| (6) | | | | | |

Part II Identification of Related Tax-Exempt Organizations. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, because it had one or more related tax-exempt organizations during the tax year.

| (a) Name, address, and EIN of related organization | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Exempt Code section | (e) Public charity status (if section 501(c)(3)) | (f) Direct controlling entity | (g) Section 512(b)(13) controlled entity? | |
|---|---|--|----------------------------|---|----------------------------------|--|----|
| | | | | | | Yes | No |
| (1) NORTON HEALTHCARE, INC. (61-1028725) ACCOUNTING 224 E BROADWAY, 5TH FLOOR, LOUISVILLE, KY 40202 | PROVIDE ADMINISTRATIVE AND SUPPORT SERVICES | KY | 501(C)(3) | 12 TYPE II | N/A | | ✓ |
| (2) COMMUNITY MEDICAL ASSOCIATES, INC. (61-1276316) ACCOUNTING 224 E BROADWAY, 5TH FLOOR, LOUISVILLE, KY 40202 | OPERATES A NETWORK OF PHYSICIAN PRACTICES | KY | 501(C)(3) | 10 | NORTON HEALTHCARE, INC. | | ✓ |
| (3) NORTON PROPERTIES, INC. (61-1028724) ACCOUNTING 224 E BROADWAY, 5TH FLOOR, LOUISVILLE, KY 40202 | MAINTAIN OFFICE AND PARKING FACILITIES | KY | 501(C)(3) | 12 TYPE I | NORTON HEALTHCARE, INC. | | ✓ |
| (4) THE CHILDREN'S HOSPITAL FOUNDATION, INC. (61-6027530) ACCOUNTING 224 E BROADWAY, 5TH FLOOR, LOUISVILLE, KY 40202 | GENERATE FUNDS TO SUPPORT PROGRAMS AND SERVICES | KY | 501(C)(3) | 7 | NORTON HEALTHCARE, INC. | | ✓ |
| (5) NORTON HEALTHCARE FOUNDATION, INC. (31-0914919) ACCOUNTING 224 E BROADWAY, 5TH FLOOR, LOUISVILLE, KY 40202 | GENERATE FUNDS TO SUPPORT PROGRAMS AND SERVICES | KY | 501(C)(3) | 7 | NORTON HEALTHCARE, INC. | | ✓ |
| (6) | | | | | | | |
| (7) | | | | | | | |

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat. No. 50135Y

Schedule R (Form 990) 2019

Part III Identification of Related Organizations Taxable as a Partnership. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, because it had one or more related organizations treated as a partnership during the tax year.

| (a) Name, address, and EIN of related organization | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Direct controlling entity | (e) Predominant income (related, unrelated, excluded from tax under sections 512—514) | (f) Share of total income | (g) Share of end-of- year assets | (h) Disproportionate allocations? | | (i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065) | (j) General or managing partner? | | (k) Percentage ownership |
|--|-------------------------|--|-------------------------------------|---|---------------------------------|--|---|----|---|---|----|--------------------------------|
| | | | | | | | Yes | No | | Yes | No | |
| (1) ----- | | | | | | | | | | | | |
| (2) ----- | | | | | | | | | | | | |
| (3) ----- | | | | | | | | | | | | |
| (4) ----- | | | | | | | | | | | | |
| (5) ----- | | | | | | | | | | | | |
| (6) ----- | | | | | | | | | | | | |
| (7) ----- | | | | | | | | | | | | |

Part IV Identification of Related Organizations Taxable as a Corporation or Trust. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, because it had one or more related organizations treated as a corporation or trust during the tax year.

| (a) Name, address, and EIN of related organization | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Direct controlling entity | (e) Type of entity (C corp, S corp, or trust) | (f) Share of total income | (g) Share of end-of-year assets | (h) Percentage ownership | (i) Section 512(b)(13) controlled entity? | |
|---|-------------------------|---|-------------------------------------|---|---------------------------------|---------------------------------------|--------------------------------|--|----|
| | | | | | | | | Yes | No |
| (1) (SEE STATEMENT) | | | | | | | | | |
| (2) ----- | | | | | | | | | |
| (3) ----- | | | | | | | | | |
| (4) ----- | | | | | | | | | |
| (5) ----- | | | | | | | | | |
| (6) ----- | | | | | | | | | |
| (7) ----- | | | | | | | | | |

Part V Transactions With Related Organizations. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.**Note:** Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.

| | Yes | No |
|--|-----------|----|
| 1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II–IV? | | |
| a Receipt of (i) interest, (ii) annuities, (iii) royalties, or (iv) rent from a controlled entity | 1a | ✓ |
| b Gift, grant, or capital contribution to related organization(s) | 1b | ✓ |
| c Gift, grant, or capital contribution from related organization(s) | 1c | ✓ |
| d Loans or loan guarantees to or for related organization(s) | 1d | ✓ |
| e Loans or loan guarantees by related organization(s) | 1e | ✓ |
| f Dividends from related organization(s) | 1f | ✓ |
| g Sale of assets to related organization(s) | 1g | ✓ |
| h Purchase of assets from related organization(s) | 1h | ✓ |
| i Exchange of assets with related organization(s) | 1i | ✓ |
| j Lease of facilities, equipment, or other assets to related organization(s) | 1j | ✓ |
| k Lease of facilities, equipment, or other assets from related organization(s) | 1k | ✓ |
| l Performance of services or membership or fundraising solicitations for related organization(s) | 1l | ✓ |
| m Performance of services or membership or fundraising solicitations by related organization(s) | 1m | ✓ |
| n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s) | 1n | ✓ |
| o Sharing of paid employees with related organization(s) | 1o | ✓ |
| p Reimbursement paid to related organization(s) for expenses | 1p | ✓ |
| q Reimbursement paid by related organization(s) for expenses | 1q | ✓ |
| r Other transfer of cash or property to related organization(s) | 1r | ✓ |
| s Other transfer of cash or property from related organization(s) | 1s | ✓ |

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds.

| (a) Name of related organization | (b) Transaction type (a–s) | (c) Amount involved | (d) Method of determining amount involved |
|-------------------------------------|----------------------------------|------------------------|--|
| (1) | | | |
| (2) | | | |
| (3) | | | |
| (4) | | | |
| (5) | | | |
| (6) | | | |

Part VI **Unrelated Organizations Taxable as a Partnership.** Complete if the organization answered "Yes" on Form 990, Part IV, line 37.

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

| (a) Name, address, and EIN of entity | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Predominant income (related, unrelated, excluded from tax under sections 512–514) | (e) Are all partners section 501(c)(3) organizations? | | (f) Share of total income | (g) Share of end-of-year assets | (h) Disproportionate allocations? | | (i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065) | (j) General or managing partner? | | (k) Percentage ownership |
|---|-------------------------|--|--|---|----|---------------------------------|--|---|----|---|---|----|--------------------------------|
| | | | | Yes | No | | | Yes | No | | Yes | No | |
| (1) | | | | | | | | | | | | | |
| (2) | | | | | | | | | | | | | |
| (3) | | | | | | | | | | | | | |
| (4) | | | | | | | | | | | | | |
| (5) | | | | | | | | | | | | | |
| (6) | | | | | | | | | | | | | |
| (7) | | | | | | | | | | | | | |
| (8) | | | | | | | | | | | | | |
| (9) | | | | | | | | | | | | | |
| (10) | | | | | | | | | | | | | |
| (11) | | | | | | | | | | | | | |
| (12) | | | | | | | | | | | | | |
| (13) | | | | | | | | | | | | | |
| (14) | | | | | | | | | | | | | |
| (15) | | | | | | | | | | | | | |
| (16) | | | | | | | | | | | | | |

Schedule R (Form 990) 2019

Part IV**Identification of Related Organizations Taxable as a Corporation or Trust** (continued)

| (a) Name, address and EIN of related organization | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Direct controlling entity | (e) Type of entity (C-corp, S-corp or trust) | (f) Share of total income | (g) Share of end-of-year assets | (h) Percentage ownership | (i) Section 512(b)(13) controlled entity? | |
|---|--|---|-------------------------------|--|---------------------------|---------------------------------|--------------------------|---|----|
| | | | | | | | | Yes | No |
| (1) NORTON ENTERPRISES, INC (61-1054301) 224 E BROADWAY 5TH FLOOR, LOUISVILLE, KY 40202-2025 | PROVIDE NURSING AND PATHOLOGY SERVICES | KY | N/A | C CORPORATION | N/A | N/A | N/A | | ✓ |

COMBINED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Norton Healthcare, Inc. and Affiliates
Years Ended December 31, 2019 and 2018
With Report of Independent Auditors

Ernst & Young LLP



Norton Healthcare, Inc. and Affiliates

Combined Financial Statements and Supplementary Information

Years Ended December 31, 2019 and 2018

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Report of Independent Auditors

The Board of Trustees
Norton Healthcare, Inc. and Affiliates

We have audited the accompanying combined financial statements of Norton Healthcare, Inc. and Affiliates, which comprise the combined balance sheets as of December 31, 2019 and 2018, and the related combined statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements referred to above present fairly, in all material respects, the combined financial position of Norton Healthcare, Inc. and Affiliates at December 31, 2019 and 2018, and the combined results of their operations and changes in net assets, and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Changes in Accounting Principle

As discussed in Note 1 to the combined financial statements, Norton Healthcare, Inc. and Affiliates changed their method of recognizing leases as a result of the adoption of Accounting Standards Update 2016-02, *Leases (Topic 842)*, effective January 1, 2019. Our opinion is not modified with respect to this matter.

Ernst & Young LLP

March 31, 2020

Norton Healthcare, Inc. and Affiliates

Combined Balance Sheets

| | December 31 | |
|--|-----------------------|--------------|
| | 2019 | 2018 |
| | <i>(In Thousands)</i> | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 109,578 | \$ 194,516 |
| Marketable securities and other investments | 131,194 | 127,504 |
| Patient accounts receivable | 262,386 | 237,089 |
| Inventory | 61,174 | 56,974 |
| Prepaid expenses and other | 48,208 | 49,173 |
| Miscellaneous receivables | 21,122 | 20,334 |
| Current portion of assets limited as to use | 23,077 | 21,489 |
| Total current assets | 656,739 | 707,079 |
| Assets limited as to use, net of current portion | 1,572,956 | 1,380,057 |
| Property and equipment, net | 1,069,550 | 968,413 |
| Other assets: | | |
| Investments in joint ventures | 27,914 | 17,213 |
| Pledges receivable, net | 23,548 | 22,679 |
| Beneficial interest in trusts held by others | 25,978 | 22,555 |
| Goodwill and indefinite-lived intangible assets | 20,508 | 20,517 |
| Interest rate swaps asset | 3,108 | 2,366 |
| Operating lease right-of-use assets | 183,467 | — |
| Other assets | 23,495 | 23,630 |
| Total other assets | 308,018 | 108,960 |
| Total assets | \$ 3,607,263 | \$ 3,164,509 |

| | December 31 | |
|---|-----------------------|---------------------|
| | 2019 | 2018 |
| | <i>(In Thousands)</i> | |
| Liabilities and net assets | | |
| Current liabilities: | | |
| Accounts payable | \$ 87,184 | \$ 84,739 |
| Accrued expenses and other | 78,064 | 78,296 |
| Current portion of operating lease liability | 19,506 | — |
| Accrued payroll and related items | 139,089 | 129,369 |
| Due to third-party payors, net | 23,900 | 47,378 |
| Accrued interest | 8,411 | 8,553 |
| Current portion of long-term debt | 38,183 | 37,150 |
| Total current liabilities | 394,337 | 385,485 |
| Other non-current liabilities: | | |
| Pension liability | 61,124 | 77,149 |
| Insurance liability | 90,384 | 86,649 |
| Long-term operating lease liability, net of current portion | 163,143 | — |
| Other | 80,592 | 69,598 |
| Total other non-current liabilities | 395,243 | 233,396 |
| Long-term debt, net of current portion | 1,045,186 | 1,079,693 |
| Net assets: | | |
| Without donor restrictions | 1,643,022 | 1,347,941 |
| With donor restrictions | 129,475 | 117,994 |
| Total net assets | 1,772,497 | 1,465,935 |
| Total liabilities and net assets | <u>\$ 3,607,263</u> | <u>\$ 3,164,509</u> |

See accompanying notes.

Norton Healthcare, Inc. and Affiliates

Combined Statements of Operations and Changes in Net Assets

| | Year Ended December 31 | |
|---|-------------------------------|------------------|
| | 2019 | 2018 |
| | <i>(In Thousands)</i> | |
| Revenue: | | |
| Net patient service revenue | \$ 2,494,112 | \$ 2,314,044 |
| Other revenue | 48,221 | 42,739 |
| Donations and contributions | 11,737 | 13,168 |
| Joint venture income | 6,090 | 827 |
| Total revenue | <u>2,560,160</u> | <u>2,370,778</u> |
| Operating expenses: | | |
| Labor and benefits | 1,293,870 | 1,199,135 |
| Professional fees | 82,713 | 80,051 |
| Drugs and supplies | 604,820 | 528,791 |
| Fees and special services | 133,512 | 127,195 |
| Repairs, maintenance, and utilities | 91,564 | 80,652 |
| Rent and leases | 44,110 | 38,208 |
| Insurance | 24,312 | 24,105 |
| Provider tax | 20,130 | 20,130 |
| Other | 21,882 | 20,579 |
| Total operating expenses | <u>2,316,913</u> | <u>2,118,846</u> |
| Earnings before fixed expenses and other gains (losses) | 243,247 | 251,932 |
| Fixed expenses: | | |
| Depreciation and amortization | 104,542 | 98,482 |
| Interest expense | 41,222 | 46,866 |
| Interest rate swaps benefit, net | (1,655) | (2,009) |
| | <u>144,109</u> | <u>143,339</u> |
| Patient service margin | 99,138 | 108,593 |

Norton Healthcare, Inc. and Affiliates

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

| | Year Ended December 31 | |
|--|-------------------------------|--------------|
| | 2019 | 2018 |
| | <i>(In Thousands)</i> | |
| Patient service margin | \$ 99,138 | \$ 108,593 |
| Investment gain | 74,126 | 55,006 |
| Operating gain | 173,264 | 163,599 |
| Non-operating gains (losses): | | |
| Change in net unrealized gains (losses) on investments | 116,662 | (95,191) |
| Change in interest rate swaps value | 742 | 1,655 |
| Petersdorf Fund grants | (5,762) | (1,368) |
| Net periodic pension cost | (10,081) | (11,469) |
| Other non-operating gains (losses), net | 6,010 | (91) |
| Total non-operating gains (losses) | 107,571 | (106,464) |
| Excess of revenue over expenses | 280,835 | 57,135 |
| Net assets without donor restrictions: | | |
| Change in pension plan asset and obligation | 7,309 | 933 |
| Net assets released from restriction for equipment and other | 6,937 | 3,691 |
| Increase in net assets without donor restrictions | 295,081 | 61,759 |
| Net assets with donor restrictions: | | |
| Contributions, fees, grants, bequests, net | 14,689 | 12,793 |
| Investment gain | 3,344 | 2,677 |
| Change in beneficial interest in trusts held by others | 3,202 | (1,079) |
| Change in net unrealized gains (losses) on investments | 4,975 | (4,211) |
| Net assets released from restriction | (14,729) | (11,649) |
| Increase (decrease) in net assets with donor restrictions | 11,481 | (1,469) |
| Increase in net assets | 306,562 | 60,290 |
| Net assets at beginning of year | 1,465,935 | 1,405,645 |
| Net assets at end of year | \$ 1,772,497 | \$ 1,465,935 |

See accompanying notes.

Norton Healthcare, Inc. and Affiliates

Combined Statements of Cash Flows

| | Year Ended December 31 | |
|---|-------------------------------|-------------|
| | 2019 | 2018 |
| | <i>(In Thousands)</i> | |
| Operating activities | | |
| Increase in net assets | \$ 306,562 | \$ 60,290 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 104,542 | 98,482 |
| Discount accretion | 2,890 | 3,090 |
| Change in net unrealized (gains) losses on investments | (121,637) | 99,402 |
| Change in interest rate swaps value | (742) | (1,655) |
| Change in pension plan asset and obligation | (7,309) | (933) |
| Restricted contributions and investment gain | (21,235) | (14,391) |
| Cash (used in) provided by operating assets and liabilities: | | |
| Change in patient accounts receivable | (25,297) | 27,918 |
| Change in assets limited as to use, net | (72,850) | (22,950) |
| Change in amounts due to third-party payors | (23,478) | 15,271 |
| Change in marketable securities and other investments | (3,690) | (2,712) |
| Change in other current and non-current assets and liabilities | 9,517 | (38,654) |
| Net cash provided by operating activities | 147,273 | 223,158 |
| Investing activities | | |
| Purchase of property and equipment | (205,679) | (188,627) |
| Change in joint ventures and other | (10,701) | 46,492 |
| Net cash used in investing activities | (216,380) | (142,135) |
| Financing activities | | |
| Increase in long-term debt | — | 13,615 |
| Principal payments on long-term debt | (37,066) | (37,259) |
| Restricted contributions and investment gain | 21,235 | 14,391 |
| Net cash used in financing activities | (15,831) | (9,253) |
| (Decrease) increase in cash and cash equivalents | (84,938) | 71,770 |
| Cash and cash equivalents at beginning of year | 194,516 | 122,746 |
| Cash and cash equivalents at end of year | \$ 109,578 | \$ 194,516 |

See accompanying notes.

Norton Healthcare, Inc. and Affiliates
Notes to Combined Financial Statements

December 31, 2019 and 2018

1. Description of Organization and Summary of Significant Accounting Policies

Organization

The accompanying combined financial statements of Norton Healthcare, Inc. include the transactions and accounts of Norton Healthcare, Inc. (the controlling company) and Affiliates, including the following: Norton Hospitals, Inc.; Norton Enterprises, Inc.; Norton Properties, Inc.; The Children's Hospital Foundation, Inc.; Norton Healthcare Foundation, Inc.; and Community Medical Associates, Inc. Norton Healthcare, Inc. and Affiliates are collectively hereafter referred to as the Corporation. The Corporation operates in the Louisville, Kentucky metropolitan area, and its operations include 1,837 licensed beds, 14 Norton Immediate Care Centers, and providing care at more than 250 locations throughout Kentucky and southern Indiana.

All significant intercompany transactions and accounts have been eliminated in combination.

Use of Estimates

The preparation of the combined financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) 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 combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Liquidity

As a business-oriented not-for-profit that is not solely dependent on donor contributions, the capital needs of the Corporation and operating budgets are coordinated so that anticipated cash needs are provided by current cash flow from operations, supplemented from time to time by debt financing. Included within current assets on the combined balance sheets are financial assets available for general expenditure within one year of December 31, 2019, and include cash and cash equivalents, marketable securities and other investments, patient accounts receivable and the current portion of assets limited as to use. See additional information with respect to these financial assets in Note 1 and Note 4. As part of the Corporation's management of liquidity, certain cash in excess of operating requirements for general expenditures is transferred to assets limited as to use. The Corporation's long-term assets limited as to use contain various investments that can be drawn upon, if necessary, to meet the liquidity needs of the Corporation within the next fiscal year. See Note 4 for additional information as it relates to assets limited as to use.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

1. Description of Organization and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include all cash and highly liquid investments that are neither internally nor externally restricted. The Corporation considers highly liquid investments to be cash equivalents when they are both readily convertible to cash and so near to maturity (typically within three months) that their value is not subject to risk due to changes in interest rates. Highly liquid investments with original short-term maturities of less than three months that are included as part of marketable securities and other investments and assets limited as to use are excluded from cash equivalents as they are commingled with longer-term investments. The amount of cash and cash equivalents carried on the combined balance sheets represents fair value.

Marketable Securities and Other Investments

Marketable securities and other investments consist primarily of marketable debt securities which are used by the Corporation to support short-term operational and capital needs. As of December 31, 2019 and 2018, \$27.6 million and \$21.4 million, respectively, included obligations whose maturities were greater than one year from the date of the combined balance sheets. Due to the markets in which these securities are traded, the Corporation believes the securities can be liquidated at their fair value and, therefore, have included the assets as current assets.

Inventory

Inventories (predominately medical and surgical supplies and pharmaceuticals) are primarily carried at the lower of cost (first-in, first-out method) or net realizable value.

Assets Limited as to Use and Investment Return

Assets limited as to use include a portfolio of investments that are set aside by the Board of Trustees (the Board) for future services, indigent care, education, research, and community health initiatives over which the Board retains control and may, at its discretion, subsequently use for other purposes. This portfolio of investments also includes assets restricted by donors. The Corporation utilizes a pooled investment program (the Master Trust Fund) to manage this portfolio of investments. Income is allocated to each entity based on its investment balance to the total investment balance by type of investment. All entities that participate in the Master Trust Fund are included in these combined financial statements. Other investments within assets limited as to use

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

1. Description of Organization and Summary of Significant Accounting Policies (continued)

include assets held by trustees under a self-insurance trust agreement and assets under bond indenture trust agreements. Amounts required to meet current liabilities of the Corporation have been classified as current in the combined balance sheets at December 31, 2019 and 2018.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such change could materially affect the amounts reported in the combined balance sheets.

All investment securities are considered trading. Included in investment gain are interest, dividends, realized gains and losses on investments, and changes in the value of investments carried at net asset value (NAV). Investment gain and the change in net unrealized gains (losses) on investments are included in the excess of revenue over expenses unless a donor or law restricts the income or loss.

Alternative investments, including hedge funds, real estate funds, and private equity funds, are recorded under the equity method of accounting using NAV. The NAV of the alternative investments is based on valuations provided by the administrators of the specific financial instrument. The underlying investments in these financial instruments may include marketable debt and equity securities, commodities, foreign currencies, derivatives, and private equity investments. The underlying investments themselves are subject to various risks, including market, credit, liquidity, and foreign exchange risk. The Corporation believes the NAV is a reasonable estimate of its ownership interest in the respective alternative investments. The Corporation's risk of alternative investments is limited to its carrying value plus amounts committed to private equity funds as disclosed in Note 4. Alternative investments can be divested only at specified times in accordance with terms of the subscription agreements. Hedge fund redemptions typically contain restrictions that allow for a portion of the withdrawal proceeds to be held back from distribution when the underlying investments are liquidated subject to final valuation following the availability of the fund's next audited financial statements. These types of redemptions are subject to lock-up provisions that are generally imposed on the initial investment in the fund for a period of time. Private equity funds and real estate funds are generally closed-end funds and have significant redemption restrictions that prohibit redemptions during the fund's life. The financial statements of all of the Corporation's alternative investments are audited annually. Because these financial instruments are not readily marketable, the estimated carrying value is subject to uncertainty, and, therefore, may differ from the value that would have been used had a market for such financial instruments existed. The change in the carrying value of the alternative investments is included in investment gain in the combined statements of operations and changes in net assets.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

1. Description of Organization and Summary of Significant Accounting Policies (continued)

The Corporation has elected to account for common and collective trust funds at fair value as allowed under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 825, *Financial Instruments*. The Corporation believes that this election is appropriate given the nature of the investments and their similarity to mutual funds.

Fair Value of Financial Instruments

The Corporation follows the provisions of ASC 820, *Fair Value Measurement*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. ASC 820 defines a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing an asset or liability. As a basis for considering market participant assumptions in fair value measurements, as noted above, ASC 820 defines a three-level fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participants. The fair value hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – Inputs utilize quoted market prices in active markets for identical assets or liabilities.
- Level 2 – Inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset and liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.
- Level 3 – Inputs are unobservable inputs for the asset or liability, which is typically based on an entity's own assumptions, as there is little, if any, related market activity.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

1. Description of Organization and Summary of Significant Accounting Policies (continued)

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Corporation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. In order to meet the requirements of ASC 820, the Corporation utilizes three basic valuation approaches to determine the fair value of its assets and liabilities required to be recorded at fair value. The first approach is the cost approach. The cost approach is generally the value a market participant would expect to replace the respective asset or liability. The second approach is the market approach. The market approach looks at what a market participant would consider an exact or similar asset or liability to that of the Corporation, including those traded on exchanges, to determine value. The third approach is the income approach. The income approach uses estimation techniques to determine the estimated future cash flows of the Corporation's respective asset or liability expected by a market participant and discounts those cash flows back to present value (more typically referred to as a discounted cash flow approach).

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed primarily using the straight-line method. Land improvements are depreciated over a range of 2 to 30 years. Buildings and equipment are depreciated over a range of 1 to 40 years. Costs incurred in the development and installation of internal-use software are expensed if they are incurred in the preliminary project stage or post-implementation stage, while certain costs are capitalized if incurred during the application development stage. Internal-use software is amortized over its expected useful life, generally between 1 and 10 years, with amortization beginning when the project is completed and the software is placed in service.

Useful lives of assets are determined through consultation of the American Hospital Association's *Life of Depreciable Hospital Assets* and in consideration of how the Corporation intends to use the asset or has used similar assets in the past.

Gifts of long-lived assets such as land, buildings, or equipment are reported as support without donor restrictions and are excluded from the excess of revenue over expenses. Such gifts are recorded at fair value at the date of donation. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

1. Description of Organization and Summary of Significant Accounting Policies (continued)

The Corporation evaluates long-lived assets used in operations for impairment as events and changes in circumstances indicate that the carrying amount of such assets might not be recoverable. Assets are grouped at the lowest level for which there is identifiable cash flows that are largely independent of the cash flows of other groups of assets. Impairment write-downs are recognized in the combined statements of operations and changes in net assets at the time the impairment is identified. There was no impairment of property and equipment recognized for the years ended December 31, 2019 or 2018.

Leases

The Corporation leases property and equipment under finance and operating leases. The Corporation determines if an arrangement is a lease at inception. Right-of-use assets and lease liabilities are recognized for leases with terms greater than 12 months based on the net present value of the future minimum lease payments over the lease term at commencement date. When readily determinable, the Corporation uses the interest rate implicit in the lease to determine the present value of future minimum lease payments. However, most of the Corporation's leases do not have a readily determinable implicit interest rate. For these leases, the Corporation's estimated incremental borrowing rate is used. The right-of-use asset and lease liability include a value for options to extend a lease if it is reasonably certain that the option will be exercised.

Operating lease liabilities and related right-of-use assets are included in current portion and non-current portion of operating lease liability and operating lease right-of-use assets on the combined balance sheet. Operating lease expense is recognized on a straight-line basis over the lease term and is included in rent and lease expense in the combined statement of operations.

Finance lease liabilities and related right-of-use assets are included in current portion and non-current portion of long-term debt and property and equipment, net on the combined balance sheet. Finance lease right-of-use assets are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the property or equipment. Such amortization expense is included in depreciation and amortization in the combined statements of operations and changes in net assets.

Investments in Joint Ventures

The Corporation maintains an ownership percentage of 50% or less in various joint ventures and other companies that do not require combination. These investments are accounted for using the equity method or cost method of accounting, as appropriate.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

1. Description of Organization and Summary of Significant Accounting Policies (continued)

The following is a summary of the investments in joint ventures:

| | December 31 | |
|---|-----------------------|------------------|
| | 2019 | 2018 |
| | <i>(In Thousands)</i> | |
| Premier Healthcare Alliance, LP <i>(Note 15)</i> | \$ 2,545 | \$ 3,073 |
| The Regional Health Network of Kentucky and Southern Indiana, LLC <i>(Note 16)</i> | 14,663 | 11,831 |
| Other | 10,706 | 2,309 |
| | <u>\$ 27,914</u> | <u>\$ 17,213</u> |

The following is a summary of joint venture income:

| | Year Ended December 31 | |
|---|-------------------------------|---------------|
| | 2019 | 2018 |
| | <i>(In Thousands)</i> | |
| Premier Healthcare Alliance, LP <i>(Note 15)</i> | \$ 1,015 | \$ 2,472 |
| The Regional Health Network of Kentucky and Southern Indiana, LLC <i>(Note 16)</i> | 2,832 | (1,637) |
| Other | 2,243 | (8) |
| | <u>\$ 6,090</u> | <u>\$ 827</u> |

Investments in joint ventures are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of the investment might not be recoverable. No impairment was recognized for the years ended December 31, 2019 or 2018.

Goodwill and Indefinite-Lived Intangible Assets

The Corporation follows the provisions of ASC 958, *Not-for-Profit Entities* (ASC 958), which provides guidance for a not-for-profit entity with respect to goodwill and other intangible assets subsequent to an acquisition. In accordance with ASC 958, the Corporation tests goodwill and indefinite-lived intangible assets for impairment on an annual basis (October 1), and between annual tests in certain circumstances, utilizing qualitative and quantitative factors. Goodwill

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

1. Description of Organization and Summary of Significant Accounting Policies (continued)

impairment testing is done at the reporting unit level by comparing the fair value of the reporting unit's net assets against the carrying value of the reporting unit's net assets, including goodwill. The Corporation as a whole is defined as the reporting unit for purposes of impairment testing. If a quantitative analysis is performed, the fair value of net assets is generally estimated based on an analysis of discounted cash flows. The Corporation has goodwill and indefinite-lived intangible assets recorded related to a pathology laboratory, several physician practices, diagnostic centers, and an ambulatory surgical center license totaling \$20.5 million at both December 31, 2019 and 2018.

The annual impairment test performed in 2019 and 2018 resulted in no adjustments to recorded goodwill and indefinite-lived intangible assets.

Medical Malpractice and General Liability Self-Insurance

The Corporation is self-insured for medical malpractice and general liability claims. The provision for estimated self-insured medical malpractice and general liability claims includes estimates of the ultimate costs of settlement for both reported claims and claims incurred but not reported. The Corporation recorded total medical malpractice and general liability self-insurance liabilities of \$113.4 million and \$108.4 million as of December 31, 2019 and 2018, respectively. Medical malpractice and general liability self-insurance liabilities of \$25.0 million and \$23.4 million are included in accrued expenses and other current liabilities at December 31, 2019 and 2018, respectively, based on the expectation of the payout of claims in the subsequent year. Additionally, the Corporation has recorded total receivables of \$11.3 million and \$12.5 million as of December 31, 2019 and 2018, respectively, for anticipated reinsurance recoveries. Of total anticipated reinsurance recoveries, \$2.8 million are classified as current at both December 31, 2019 and 2018, and are recorded in miscellaneous receivables on the combined balance sheets. The non-current portion of anticipated reinsurance recoveries of \$8.5 million and \$9.7 million at December 31, 2019 and 2018, respectively, are recorded in other assets on the combined balance sheets. The Corporation recorded a decrease in medical malpractice and general liability self-insurance expense of approximately \$4.6 million and \$0.3 million in 2019 and 2018, respectively, related to changes in actuarial estimates reflecting lower claim activity, closed claims, improved claim resolution history, and other environmental factors. The Corporation has engaged independent actuaries to estimate the ultimate costs of the settlement of such claims. Recorded self-insured medical malpractice and general liabilities, discounted at 1.75% and 2.75% at December 31, 2019 and 2018, respectively, represent management's best estimate of ultimate costs.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

1. Description of Organization and Summary of Significant Accounting Policies (continued)

The Corporation has excess loss insurance coverage for claims over the self-insured limits on a claims-made basis. Through the excess loss commercial policies, the Corporation is insured for losses up to established individual and aggregate claim limits.

The Corporation's management is of the opinion that the accompanying combined financial statements will not be materially affected by the ultimate cost related to asserted and unasserted claims, if any, at the combined balance sheet date.

Under the terms of the self-insurance trust agreements for the self-insurance funds, the Corporation makes annual deposits with its trustee based upon actuarial funding recommendations. Amounts deposited and interest thereon can only be used to pay self-insured losses and related expenses. Such trust fund assets are reported as assets limited as to use. Investment returns from trustee assets are recorded as investment gain and change in net unrealized gains (losses) on investments, as applicable.

Net Assets with Donor Restrictions

Net assets with donor restrictions are those whose use by the Corporation has been limited by donors to a specific time period or purpose or have been restricted by donors to be maintained by the Corporation in perpetuity. Net assets with donor restrictions are primarily restricted for strategic capital projects or in support of the Corporation's mission.

Net Patient Service Revenue and Patient Accounts Receivable

Net patient service revenue is reported at the amount that reflects the consideration to which the Corporation expects to be entitled for providing patient care. These amounts are due from patients, third-party payors, and others and include variable consideration for retroactive revenue adjustments due to settlements of reviews and audits.

Net patient service revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Corporation. Net patient service revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Corporation believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

1. Description of Organization and Summary of Significant Accounting Policies (continued)

services. The Corporation measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. These services are considered to be a single performance obligation.

Outpatient services are performance obligations satisfied at a point in time, and revenue is recognized when goods or services are provided and the Corporation does not believe it is required to provide additional goods or services.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Corporation has elected to apply the optional exemption provided in ASC 606, *Revenue from Contracts with Customers* (ASC 606), section 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially satisfied at the combined balance sheet date. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the combined balance sheet date. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the combined balance sheet date.

The Corporation has elected to use the portfolio approach practical expedient in ASC 606 for contracts related to net patient service revenue. The Corporation accounts for the contracts within each portfolio as a collective group, rather than recognizing net patient service revenue on an individual contract basis, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. The portfolios consist of major payor classes for inpatient net patient service revenue and outpatient net patient service revenue. Based on the historical collection trends and other analysis, the Corporation believes that net patient service revenue recognized by utilizing the portfolio approach approximates the net patient service revenue that would have been recognized if an individual contract approach were used.

The Corporation has agreements with third-party payors that provide for payment to the Corporation at amounts different than the Corporation's established charges. For uninsured patients who do not qualify for charity care, the Corporation recognizes net patient service revenue based on established charges, subject to certain discounts and implicit price concessions determined by the Corporation. The Corporation determines the transaction price based on

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

1. Description of Organization and Summary of Significant Accounting Policies (continued)

standard charges for services provided, reduced by explicit price concessions provided to third-party payors, discounts provided to uninsured and underinsured patients in accordance with the Corporation's policy, and/or implicit price concessions provided to uninsured patients. Explicit price concessions are based on contractual agreements, discount policies, and historical experience. Implicit price concessions represent differences between amounts billed and the estimated consideration the Corporation expects to receive from patients, which are determined based on historical collection experience, current market conditions, and other factors.

Generally, patients who are covered by third-party payors are responsible for patient responsibility balances, including deductibles and coinsurance, which vary in amount. The Corporation estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any explicit price concessions, discounts, and/or implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of change. Adjustments arising from a change in the transaction price were not significant in 2019 or 2018.

In rare instances, the Corporation receives payment in advance of the services provided and considers these amounts to represent contract liabilities. Contract liabilities at December 31, 2019 and 2018, were not significant to the Corporation.

The Corporation has elected the practical expedient allowed under ASC 606 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Corporation's expectation that the period between the time the service is provided to a patient and the time that the patient or third-party payor pays for that service will be one year or less. However, the Corporation does, in certain circumstances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The Corporation is paid prospectively determined rates for the majority of inpatient acute care, outpatient, and ambulatory care services provided (principally Medicare, Medicaid, and certain commercial payors). This net patient service revenue is subject to retroactive adjustments due to audits, reviews, change in program administration and rules, and outcome of litigation. These settlements are estimated based on the agreement with the payor and correspondence, which includes an assessment to ensure it is probable that a significant reversal in the amount of cumulative net patient service revenue recognized will not occur when the uncertainty associated with the retroactive adjustments is subsequently resolved.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

1. Description of Organization and Summary of Significant Accounting Policies (continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Corporation believes that it is in compliance with all applicable laws and regulations, and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. The Corporation has established a corporate compliance program to assist in maintaining compliance with such laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines and penalties and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that current recorded estimates will change by material amounts in the near term.

Reported costs and/or services provided under certain arrangements are subject to retroactive adjustments due to reviews and audits. These adjustments are considered variable compensation and are included in the determination of the estimated transaction price for providing patient care in the period the related services are provided. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Corporation's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of net patient service revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to reviews or audits. The Corporation recorded an increase in net patient service revenue of \$2.7 million and \$14.5 million in 2019 and 2018, respectively, as a result of changes in estimated settlements with Medicare, Medicaid, and other commercial payors.

Charity Care

As a part of its not-for-profit mission, the Corporation provides care to patients who may be unable to pay. For those patients meeting certain criteria, the Corporation does not pursue collection of amounts determined to qualify as charity care. The Corporation follows Accounting Standards Update (ASU) 2010-23, *Health Care Entities (Topic 954): Measuring Charity Care for Disclosure* (ASU 2010-23). ASU 2010-23 requires that cost be used as the measurement for charity care disclosure purposes and that cost be identified as the direct and indirect cost of providing charity care. ASU 2010-23 also requires entities to disclose any reimbursement received to offset the cost of providing charity care. The Corporation estimates charity care cost by calculating a ratio of cost to gross charges, and then multiplying the ratio by the gross charges attributable to patients that qualify for charity care, based on the Corporation's policy. The cost associated with charity care

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

1. Description of Organization and Summary of Significant Accounting Policies (continued)

provided was approximately \$15.2 million and \$14.0 million in 2019 and 2018, respectively. To offset the cost of charity care provided, the Corporation received state means program reimbursement and other financial assistance related receipts of \$0.8 million and \$3.9 million in 2019 and 2018, respectively.

Other Revenue

Other revenue is recognized at an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing goods and services. The amounts recognized reflect consideration due from customers, third-party payors, and others in accordance with ASC 606. Primary categories include capitation revenue, technical service fee revenue, research revenue, rental income, parking revenue, and revenue from other miscellaneous sources.

Excess of Revenue Over Expenses

The combined statements of operations and changes in net assets include subtotals for patient service margin, operating gain, and excess of revenue over expenses. Excess of revenue over expenses represents the operating indicator for the Corporation as defined under U.S. GAAP. Changes in net assets without donor restrictions, which are excluded from excess of revenue over expenses, consistent with industry practice, include or may include contributions of long-lived assets, net assets released from restriction for equipment, investment returns on assets with donor restrictions, and changes in pension plan asset and obligation.

Gifts with Donor Restrictions

Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the condition is met. The gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the combined statements of operations and changes in net assets as donations and contributions if the purpose relates to operations, or as a change in net assets without donor restrictions if the purpose relates to purchase of property and equipment.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

1. Description of Organization and Summary of Significant Accounting Policies (continued)

Beneficial Interest in Trusts Held by Others

The Corporation is an income beneficiary of irrevocable trust funds held by others. The Corporation has recorded the fair value of the ownership interest of the trusts in its combined balance sheet and the changes in the fair values of the ownership interests of the trusts as net assets with donor restrictions.

Contributions Received and Pledges Receivable

Contributions without donor restriction are recorded as contributions and donation revenue within the combined statement of operations and changes in net assets when received. Pledges are recorded as contributions, fees, grants, bequests, net as net assets with donor restrictions in the year pledged. Unconditional donor pledges to give cash, marketable securities, and other assets are reported at present value, through a discounted cash flow approach (representing fair value), at the date the pledge is made. Pledges receivable are discounted based on the nature of the individual pledge consistent with the Corporation's policy. Discount rates ranged from 0.03% to 1.94% at December 31, 2019, and from 0.03% to 1.37% at December 31, 2018. Discount rates reflect the economic conditions of the year in which the pledge was made.

Conditional donor promises to give and indications of intentions to give are not recognized until the condition is satisfied. Pledges received with donor restrictions on the use of the donated assets are reported as net assets with donor restrictions until the donor restriction expires. An allowance for uncollectible pledges is recorded for amounts the Corporation has deemed uncollectible.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

1. Description of Organization and Summary of Significant Accounting Policies (continued)

Outstanding pledges receivable from various corporations, foundations, and individuals are as follows:

| | December 31 | |
|-------------------------------------|-----------------------|------------------|
| | 2019 | 2018 |
| | <i>(In Thousands)</i> | |
| Gross pledges due: | | |
| In less than one year | \$ 10,367 | \$ 11,487 |
| In one to five years | 4,176 | 4,610 |
| In more than five years | 33,616 | 31,180 |
| | <u>48,159</u> | <u>47,277</u> |
| Allowance for uncollectible pledges | (262) | (1,441) |
| Discounting | (14,244) | (13,111) |
| Net pledges receivable | <u>33,653</u> | <u>32,725</u> |
| Less current portion | (10,105) | (10,046) |
| Net pledges receivable long-term | <u>\$ 23,548</u> | <u>\$ 22,679</u> |

The current portion of pledges receivable is included in miscellaneous receivables on the combined balance sheets.

Income Taxes

Most of the income generated by the Corporation is exempt from taxation under Section 501(a) of the Internal Revenue Code. Certain of the Corporation's affiliates are taxable entities and some of the income generated by otherwise exempt entities is subject to taxation as unrelated business income. The Corporation files federal and Kentucky state income tax returns. The statute of limitations for tax years 2016 through 2018 remains open in the major U.S. taxing jurisdictions in which the Corporation is subject to taxation, and the 2019 tax year's statute of limitations will begin once returns for that year are filed. In addition, for all tax years prior to 2017 generating or utilizing a net operating loss (NOL), tax authorities can adjust the amount of NOL carryforward to subsequent years.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

1. Description of Organization and Summary of Significant Accounting Policies (continued)

As of December 31, 2019, the Corporation has NOL carryforwards of approximately \$24.1 million (\$28.0 million at December 31, 2018). These NOL carryforwards expire in years 2021 to 2038. As a result of the NOL carryforwards, the Corporation recorded a deferred income tax asset of \$6.2 million and \$7.8 million at December 31, 2019 and 2018, respectively. The Corporation evaluates the realizability of the deferred tax assets annually. Based on the cumulative losses incurred by Norton Enterprises, Inc. over the previous five-year period and future projections, the Corporation determined it is not probable that future taxable income will be available to apply against the deferred tax assets. As a result, the Corporation recorded a full valuation allowance of \$6.2 million and \$7.8 million at December 31, 2019 and 2018, respectively.

The Tax Cuts and Jobs Act (the Act) was enacted on December 22, 2017. The primary impact in 2017 on the Corporation was the Act reduced the U.S. federal corporate tax rate from 35% to 21%, which required a remeasurement of the Corporation's deferred taxes. For tax-exempt entities, effective beginning in the 2018 tax year, the Act also requires organizations to categorize certain fringe benefit expenses as a source of unrelated business income, pay an excise tax on remuneration above certain thresholds that is paid to executives by the organization, and report income or loss from unrelated business activities on an activity-by-activity basis, among other provisions. At December 31, 2018, the Corporation made a reasonable estimate of the tax effects of the enactment of the Act and remeasured its deferred tax balances, which did not have a material impact on the Corporation as all deferred tax balances are offset by a full valuation allowance. The Corporation did not record any material changes to its December 31, 2018, estimates in 2019. Additionally, the Corporation did not record any material amounts during the year ended December 31, 2019, related to the new requirements under the Act.

Recent Accounting Pronouncements

Recently Adopted

Effective January 1, 2019, the Corporation adopted the cumulative accounting standard updates initially issued by the FASB in February 2016 that amend the accounting for leases and are codified as ASC 842, *Leases* (ASC 842). ASC 842 requires the rights and obligations arising from lease contracts to be recognized as right-of-use assets and lease liabilities on the balance sheet. The Corporation adopted ASC 842 using a modified retrospective approach, and, as such, prior year comparative combined financial statements have not been restated to reflect the adoption of ASC 842. The Corporation elected the transition package of practical expedients available in ASC 842 whereby upon adoption, an entity need not reassess expired or existing contracts for whether the contracts are or contain leases, lease classification, or initial direct costs.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

1. Description of Organization and Summary of Significant Accounting Policies (continued)

The adoption of ASC 842 had a material impact on the Corporation's combined balance sheet through the recording of operating lease liabilities and related right-of-use assets for leases in effect at January 1, 2019, but the adoption did not have a material impact on the Corporation's combined statement of operations and changes in net assets or combined statement of cash flows for the year ended December 31, 2019. The Corporation recorded approximately \$167.0 million of operating lease liabilities and right-of-use assets on January 1, 2019, upon adoption of ASC 842, with no impact to the combined statement of operations and changes in net assets or combined statement of cash flows.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). ASU 2018-08 intends to clarify and improve current accounting guidance to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. The Corporation adopted ASU 2018-08 effective January 1, 2019. The impact of adoption of ASU 2018-08 was not material to total revenue, excess of revenue over expenses, or total net assets.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (A Consensus of the FASB Emerging Issues Task Force)* (ASU 2016-18). ASU 2016-18 intends to clarify the classification and presentation of changes in restricted cash and cash equivalents on the statement of cash flows. The Corporation adopted ASU 2016-18 effective January 1, 2019, using a retrospective transition method to each period presented. The adoption of ASU 2016-18 did not impact the combined statements of cash flows.

Yet to be Adopted

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820)* (ASU 2018-13). ASU 2018-13 improves the disclosure requirements on fair value measurements and is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Corporation is currently evaluating the impact ASU 2018-13 will have on its combined financial statements.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

1. Description of Organization and Summary of Significant Accounting Policies (continued)

Reclassification

Certain balances in the 2018 combined balance sheet, combined statement of operations and changes in net assets, and footnote disclosures have been reclassified to conform to current year presentation. The effect of such reclassifications did not change total net assets, operating gain, or excess of revenue over expenses.

2. Community Service (Unaudited)

The Corporation continues to build on a tradition of community service established over 100 years ago by its predecessor organizations, with a mission to provide quality health care to all those served. Through Norton Children's Hospital and Norton Children's Medical Center, tertiary, acute-level inpatient services, and emergency and outpatient specialty care are provided to children who live throughout Kentucky and southern Indiana, regardless of ability to pay. In addition, many patients treated at Norton Hospital, Norton Audubon Hospital, Norton Women's and Children's Hospital, and Norton Brownsboro Hospital receive free or discounted care. The Corporation is a major participant in the residency and medical education programs of the University of Louisville School of Medicine.

The Corporation uses the 2017 edition of the Catholic Health Association's *Guide for Planning and Reporting Community Benefit* (CHA guidelines) to report the community benefit amounts.

In 1987, the Corporation established a fund designated for providing indigent care, education, research, and community health initiatives, now known as the James R. Petersdorf Fund (Petersdorf Fund) (see Note 4). Other programs that benefit the Corporation's community are listed below.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

2. Community Service (Unaudited) (continued)

The costs associated with providing community service are as follows:

| | Year Ended December 31 | |
|----------------------------------|-------------------------------|-------------------|
| | 2019 | 2018 |
| | <i>(In Thousands)</i> | |
| Charity care ^(A) | \$ 14,408 | \$ 10,069 |
| Educational support | 53,233 | 41,666 |
| Unpaid cost of Medicaid services | 65,928 | 95,365 |
| Sponsorships | 1,693 | 1,865 |
| Community cancer initiatives | 6,038 | 5,249 |
| Community service activities | 1,080 | 1,043 |
| Other community benefits | 12,630 | 11,819 |
| | \$ 155,010 | \$ 167,076 |

^(A) Consistent with Internal Revenue Service (IRS) Form 990 requirements and CHA guidelines, this amount is to be reported net of state means programs and amounts received specifically to provide financial assistance. The Corporation received state means program reimbursement and other financial assistance related receipts of \$0.8 million and \$3.9 million in 2019 and 2018, respectively.

3. Property and Equipment

Property and equipment consists of:

| | December 31 | |
|---|-----------------------|--------------------|
| | 2019 | 2018 |
| | <i>(In Thousands)</i> | |
| Land and land improvements | \$ 73,449 | \$ 47,715 |
| Buildings | 1,085,753 | 1,073,218 |
| Equipment | 1,260,957 | 1,147,946 |
| | 2,420,159 | 2,268,879 |
| Accumulated depreciation and amortization | (1,550,711) | (1,446,653) |
| | 869,448 | 822,226 |
| Construction-in-process | 200,102 | 146,187 |
| | \$ 1,069,550 | \$ 968,413 |

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

3. Property and Equipment (continued)

Equipment includes computer software costs of \$99.9 million and \$96.8 million at December 31, 2019 and 2018, respectively, which are primarily related to the Corporation's clinical and revenue cycle information systems. The accumulated depreciation related to computer software recorded in accumulated depreciation and amortization is \$77.9 million and \$69.4 million at December 31, 2019 and 2018, respectively. The expense related to computer software recorded in depreciation and amortization expense on the combined statements of operations and changes in net assets was \$8.5 million and \$8.4 million for the years ended December 31, 2019 and 2018, respectively.

4. Assets Limited as to Use and Investment Return

Asset Limited as to Use

The composition of assets limited as to use is set forth in the following table by type of Board designation or restriction. Assets limited as to use are carried at fair value, except for alternative investments (consisting of hedge funds, real estate funds, and private equity funds), which are accounted for under the equity method of accounting.

| | December 31 | |
|--|-----------------------|---------------------|
| | 2019 | 2018 |
| | <i>(In Thousands)</i> | |
| By Board of Trustees for indigent care, education, research, and community health initiatives (Petersdorf Fund) | \$ 118,720 | \$ 130,657 |
| By Board of Trustees | 1,264,129 | 1,021,098 |
| By self-insurance trust agreements | 108,907 | 95,327 |
| Less current portion | (22,243) | (20,631) |
| By self-insurance trust agreements, net | 86,664 | 74,696 |
| By bond indenture trust agreements | 21,885 | 72,846 |
| Less current portion | (11) | (19) |
| By bond indenture trust agreements, net | 21,874 | 72,827 |
| By contractual agreement | 24,040 | 29,888 |
| Less current portion | (823) | (839) |
| By contractual agreement | 23,217 | 29,049 |
| By donors | 58,352 | 51,730 |
| | \$ 1,572,956 | \$ 1,380,057 |

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

4. Assets Limited as to Use and Investment Return (continued)

The Corporation's investment portfolio is structured in a manner that matches investment risk and return. Short-term volatility and uncertainty of investment results are recognized as real risks that are managed through specific asset allocation strategies and diversification. The assets limited as to use by the Board are excluded from current assets as they are not intended to be used within one year. The Board meets routinely throughout the year, and should an unforeseen need arise, could choose to designate those funds for current use within the assets limited as to use by the Board.

The Corporation's actual weighted-average allocations for assets limited as to use, by asset category, are as follows:

| | December 31 | |
|-----------------------------------|--------------------|-------------|
| | 2019 | 2018 |
| Money market funds | 3.4% | 3.5% |
| Marketable debt securities | 14.8 | 18.0 |
| Marketable equity securities | 6.3 | 4.7 |
| Mutual funds | 37.7 | 38.5 |
| Private equity funds | 4.2 | 6.0 |
| Hedge funds | 22.2 | 19.3 |
| Real estate funds | 6.9 | 7.4 |
| Common and collective trust funds | 4.5 | 2.6 |
| | 100.0% | 100.0% |

At December 31, 2019, the Corporation has committed capital yet to be called of approximately \$25.0 million to private equity funds over the next one to three years (\$23.6 million at December 31, 2018).

Investment Return

Investment return is shown under net assets without donor restrictions and net assets with donor restrictions as investment gain (included in operating gain for the net assets without donor restrictions) and change in net unrealized gains (losses) on investments (included in non-operating gains (losses) for net assets without donor restrictions).

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

4. Assets Limited as to Use and Investment Return (continued)

The following is a summary of the key components of investment return:

| | Year Ended December 31 | |
|--|-------------------------------|------------------|
| | 2019 | 2018 |
| | <i>(In Thousands)</i> | |
| Investment gain by net asset class: | | |
| Without donor restrictions | \$ 74,126 | \$ 55,006 |
| With donor restrictions | 3,344 | 2,677 |
| Total investment gain | <u>\$ 77,470</u> | <u>\$ 57,683</u> |
| Components of investment gain: | | |
| Interest and dividends | \$ 31,514 | \$ 29,081 |
| Income distributions from trusts | 1,108 | 1,107 |
| Investment fees | (4,733) | (4,557) |
| Net realized gains on investments recorded at fair value | 14,097 | 38,670 |
| Change in net unrealized gains (losses) on investments recorded at other than fair value | 35,484 | (6,618) |
| Total investment gain | <u>\$ 77,470</u> | <u>\$ 57,683</u> |

The total changes in net unrealized gains (losses) on investments with and without donor restrictions was \$121.6 million and \$(99.4) million for the years ended December 31, 2019 and 2018, respectively, and is solely composed of the change in net unrealized gains (losses) on investments recorded at fair value.

5. Fair Value Measurements

The following table summarizes the recorded amount of assets and liabilities by class of asset or liability recorded at fair value on a recurring basis. Certain assets are marked as not applicable (N/A), as they are not recorded at fair value, or elected to be recorded at fair value, on a recurring basis. The valuation level of the asset or liability as defined by ASC 820 is included for assets and liabilities carried at fair value.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

5. Fair Value Measurements (continued)

| | December 31 | | Level |
|---|-----------------------|------------|-------|
| | 2019 | 2018 | |
| | <i>(In Thousands)</i> | | |
| Marketable securities and other investments, at fair value | | | |
| Marketable debt securities ^(A) | \$ 131,194 | \$ 127,504 | 2 |
| Assets limited as to use, at fair value | | | |
| By Board of Trustees and donors: | | | |
| Money market fund | 5,548 | 8,648 | 1 |
| Mutual funds: | | | |
| Templeton Global Equity Fund ^(B) | — | 73,281 | 1 |
| PIMCO Real Return Fund ^(C) | 45,951 | 41,104 | 1 |
| Capital World Growth and Income Fund ^(D) | 120,605 | 82,224 | 1 |
| Dodge & Cox Global Stock Fund ^(E) | 121,937 | 75,007 | 1 |
| Dreyfus Global Equity Fund ^(F) | 120,974 | 91,783 | 1 |
| Wells Capital Management Core Fixed Income ^(G) | 54,098 | 51,505 | 1 |
| Vanguard Emerging Market Stock Fund ^(H) | 31,011 | 19,582 | 1 |
| MetWest Total Return Bond Fund ^(I) | 56,370 | 51,516 | 1 |
| Other mutual funds ^(J) | 50,858 | 39,947 | 1 |
| Total mutual funds | 601,804 | 525,949 | |
| Common and collective trust funds: | | | |
| City of London International Equity Fund ^(K) | 31,882 | — | NAV |
| Wellington Diversified Inflation Hedge ^(L) | 40,165 | 35,711 | NAV |
| Total common and collective trust funds | 72,047 | 35,711 | |
| Separately-managed accounts: | | | |
| Sterling Capital ^(M) | 67,501 | 63,114 | 2 |
| EPOCH All Cap US Equity ^(N) | 80,878 | 50,643 | 1 |
| Disciplined Growth Investors ^(O) | 80,193 | 49,355 | 1 |
| Other ^(P) | 1,322 | 1,118 | 1 |
| Total separately-managed accounts | 229,894 | 164,230 | |
| Total assets limited as to use by Board of Trustees and donors, at fair value | \$ 909,293 | \$ 734,538 | |

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

5. Fair Value Measurements (continued)

| | December 31 | | Level |
|---|----------------|--------------|-------|
| | 2019 | 2018 | |
| | (In Thousands) | | |
| By contractual agreements: | | | |
| Money market fund | \$ 24,040 | \$ 29,888 | 1 |
| Total assets limited as to use by contractual agreements, at fair value | 24,040 | 29,888 | |
| By self-insurance trust agreements: | | | |
| Mutual fund: | | | |
| Sterling Behavioral Small Cap Value ^(Q) | — | 3,804 | 1 |
| Separately-managed accounts: | | | |
| Money market fund | 8,036 | 2,990 | 1 |
| Marketable debt securities ^(R) | 77,953 | 71,474 | 2 |
| Sterling Special Opportunities Equity ^(S) | 8,732 | 17,059 | 1 |
| Sterling Fundamental Small Cap Value Strategy ^(T) | 5,641 | — | 1 |
| Sterling Equity Income Strategy ^(U) | 8,545 | — | 1 |
| Total separately-managed accounts | 108,907 | 91,523 | |
| Total assets limited as to use by self-insurance trust agreements, at fair value | 108,907 | 95,327 | |
| By bond indenture trust agreements: | | | |
| Money market fund | 11 | 19 | 1 |
| Marketable debt securities ^(V) | 21,874 | 72,827 | 2 |
| Total assets limited as to use by bond indenture, at fair value | 21,885 | 72,846 | |
| Total assets limited as to use, at fair value | 1,064,125 | 932,599 | |
| Assets limited as to use at other than fair value: | | | |
| Hedge funds ^(W) | 355,082 | 321,449 | N/A |
| Real estate funds ^(X) | 109,445 | 103,968 | N/A |
| Private equity funds ^(Y) | 67,381 | 43,530 | N/A |
| Total assets limited as to use at other than fair value | 531,908 | 468,947 | |
| Less current portion of self-insurance trust and bond indenture trust and assets limited as to use by contractual agreement | (23,077) | (21,489) | |
| Total assets limited as to use | \$ 1,572,956 | \$ 1,380,057 | |
| Other assets at fair value: | | | |
| Beneficial interest in trusts held by others (Note 1) | \$ 25,978 | \$ 22,555 | 2 |
| Interest rate swaps asset (Note 7) | 3,108 | 2,366 | 2 |

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

5. Fair Value Measurements (continued)

- (A) Investment-grade readily marketable corporate debt securities (95%), municipal fixed-income securities (3%) and money market funds invested in high-quality fixed-income securities (2%).
- (B) Mutual fund invests in domestic and international equities to achieve long-term capital growth. Fund strives to exceed the MSCI World Index.
- (C) Mutual fund seeks to maximize real returns by investing the majority of its assets in Treasury Inflation Protected Securities (TIPS) issued by the U.S. government. The fund may also invest in U.S. Treasury securities, corporate bonds, mortgage-backed securities and emerging market bonds to add value when opportunities arise.
- (D) Mutual fund invests in domestic and international equities with a focus on companies paying regular dividends and strives to exceed the MSCI World Index.
- (E) Mutual fund invests in equity securities issued by medium-to-large-sized, well-established global companies, including those domiciled in emerging markets, and strives to exceed the MSCI World Index.
- (F) Mutual fund invests in domestic and international equities and strives to exceed the MSCI World Index.
- (G) Mutual fund seeks to deliver excess return relative to the taxable fixed-income universe as measured by the Barclays U.S. Aggregate Bond Index.
- (H) Mutual fund seeks to provide long-term capital appreciation. The fund invests mainly in equity securities of companies located in emerging markets including small, mid, and large capitalization companies.
- (I) Mutual fund seeks to maximize long-term total return. At least 80% of its net assets are invested in investment grade fixed income securities or unrated securities of similar quality. Up to 20% of its net assets may be invested in securities rated below investment grade.
- (J) Various other publicly traded mutual funds invested in a variety of money market, fixed-income, domestic equity, and international equity mutual funds. The equity mutual funds are diverse in investment strategies, including both value and growth and a variety of market capitalizations.
- (K) Common and collective trust invested in companies both in developed and emerging markets equities seeks to provide long-term capital growth via stock selection and active country allocation and strives to outperform the MSCI ACWI ex US Index.
- (L) Common and collective trust fund whose objective is to maximize real return by investing in a variety of securities that offer strong relative performance in a rising inflation environment. This common and collective trust fund seeks to exceed the Dow Jones AIG Commodity Total Return Index.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

5. Fair Value Measurements (continued)

- (M) Manager invests primarily in marketable corporate debt securities (64%), U.S. government fixed-income securities (29%), and other fixed-income investments (7%) with the objective of maximizing total return while preserving capital. Manager strives to exceed the Barclays Capital Aggregate Index.
- (N) Manager invests in domestic equities across various industries with a value orientation and high rates of free cash flow. Manager strives to exceed the Russell 3000 Value Index.
- (O) Manager seeks to invest in mid-cap companies with market caps between \$1 billion and \$10 billion that are expected to yield high returns. The portfolio will generally hold between 40 and 50 securities with an average turnover ratio ranging from 15% to 30%.
- (P) Conglomeration of smaller accounts whose components are not deemed material for individual breakout. Largest holding is a money market fund (67%).
- (Q) Mutual fund that seeks to capitalize on behaviorally driven market anomalies by employing a disciplined investment process that ranks small capitalization companies in the fund's universe based on a number of factors, including valuation, price momentum and earnings revisions.
- (R) Externally managed portfolio holding investment-grade U.S. agency and U.S. Treasury fixed-income securities whose maximum maturity does not exceed five years.
- (S) Equity portfolio that primarily invests in companies with the best perceived combination of underlying growth potential and attractive valuation in a high conviction portfolio of 25 to 40 holdings.
- (T) Fund invests in small cap value companies, focusing on balance sheet strength and consistent value since inception and strives to exceed the Russell 2000 Value Index.
- (U) Fund seeks long-term appreciation by identifying companies with consistent dividend growth and above average yield, attractive valuation and strong balance sheets and strives to exceed the Russell 1000 Value Index.
- (V) Externally managed portfolio holding primarily U.S. agency and Treasury securities (approximately 73% of the portfolio) and highly rated municipal and commercial paper fixed-income securities (approximately 27% of the portfolio) structured to generate returns while protecting principal and providing liquidity to fund draws on the project fund.
- (W) The hedge funds are composed of both fund of funds and direct hedge funds that seek to provide equity-like returns over a full market cycle with reduced volatility and low correlation. The hedge fund total consists of twelve separate funds. The managers employ various strategies, including, but not limited to, long/short equity, long/short credit, distressed credit, merger/credit arbitrage, and macrotrading strategies.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

5. Fair Value Measurements (continued)

- (X) The real estate funds include an actively managed private real estate investment trust (REIT) composed of participating mortgages and wholly owned real estate investments. The real estate fund total consists of two separate funds. A smaller portion of the holdings include a commingled real estate fund, which includes the purchase of REITs, real estate properties, private equity funds, public debt securities, and high-yield private debt.
- (Y) The private equity funds are comprised of limited partnerships that invest in the equity and debt of privately held companies. The private equity fund total consists of eight separate funds. The objective of these strategies is to provide a return that exceeds that of public equity markets over a long-term time period. These investments will typically have a life of five to ten years depending on the strategy.

Valuation

Marketable Debt Securities, Other Investments, and Assets Limited as to Use

Level 1 securities are stated at quoted market prices. The Corporation's various investment portfolios are held by a variety of managers and these managers use external pricing services in providing the valuation for all levels of securities. The Corporation does not adjust the quoted market prices for such financial instruments.

Level 2 securities include valuations based upon direct and indirect observable market inputs that may utilize the market, income, or cost approaches in determination of their fair value. The pricing services use a variety of pricing models and inputs based upon the type of security being valued. These inputs may include, but are not limited to the following: reported trades; similar security trade data; bid/ask spreads; institutional bids; benchmark yields; broker/dealer quotes; issuer spreads; yield to maturity; and corporate, industry, and economic events.

As nearly all of the Corporation's marketable debt securities are actively traded, the recorded fair value reflects current market conditions. However, due to the inherent volatility in the investment market, there is at least a possibility that recorded investment values may change by a material amount in the near term.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

5. Fair Value Measurements (continued)

The common and collective trust funds are valued at NAV, as a practical expedient, provided by the respective fund administrators. Management has determined that the NAV is an appropriate estimate of the fair value of the common and collective trust funds at December 31, 2019 and 2018, based on the fact that the common and collective trust funds are audited and accounted for at fair value by the administrators of the respective common and collective trust funds. There are no restrictions on the ability of the Corporation to redeem any of the common and collective trust funds at December 31, 2019 or 2018.

Beneficial Interests in Trusts Held by Others

The Corporation is an income beneficiary of irrevocable trust funds held by others. The Corporation has recorded the fair value of the ownership interest of the irrevocable trust funds based on its pro rata share of the underlying assets or income. Based on the observable inputs, typically marketable debt or equity securities held in the irrevocable trust funds, the Corporation has determined its beneficial interests in outside trust funds held by others fall in Level 2 of the fair value hierarchy. This technique is consistent with the market approach.

Interest Rate Swaps Asset

The fair value is calculated based on a discounted cash flow model, taking into consideration the terms of each interest rate swap and the credit rating of the Corporation or counterparty, as applicable. Based on the observable inputs, typically published interest rates and credit spreads, the Corporation has determined its interest rate swaps fall in Level 2 of the fair value hierarchy. The specific Corporation inputs are disclosed in Note 7. This technique is consistent with the income or discounted cash flow approach.

Other Fair Value Measurements

The carrying value of pledges receivable is required to be disclosed at fair value under applicable accounting guidance. The fair value of the Corporation's pledges receivable, based on discounted cash flow analysis and adjusted for consideration of the donor's credit, is \$33.7 million and \$32.7 million at December 31, 2019 and 2018, respectively. These fair values are determined using a Level 2 methodology in the fair value hierarchy based on observable inputs through formal pledge agreements and other similar documents, as well as market interest rates.

Certain financial instruments are not required to be marked to fair value on a recurring basis, and, therefore, the level of disclosure is noted as not applicable.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

6. Net Patient Service Revenue

Net patient service revenue by major payor source is as follows:

| | Year Ended December 31, 2019 | | Year Ended December 31, 2018 | |
|--------------------|---------------------------------|------|---------------------------------|------|
| | (Dollars In Thousands) | | | |
| Commercial | \$ 1,192,775 | 48% | \$ 1,190,284 | 52% |
| Medicare | 741,753 | 30 | 675,373 | 29 |
| Medicaid | 495,285 | 20 | 396,830 | 17 |
| Self-pay and other | 64,299 | 2 | 51,557 | 2 |
| | \$ 2,494,112 | 100% | \$ 2,314,044 | 100% |

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

7. Long-Term Debt

Long-term debt consists of the following:

| | December 31 | |
|---|-----------------------|--------------|
| | 2019 | 2018 |
| | <i>(In Thousands)</i> | |
| Louisville/Jefferson County Metro Government Health System Revenue Bonds, Series 2016, dated August 11, 2016 (2016 Bonds) | \$ 554,870 | \$ 573,400 |
| Louisville/Jefferson County Metro Government Health System Revenue Bonds, Series 2013, dated September 26, 2013 (2013 Bonds) | 204,580 | 204,580 |
| Louisville/Jefferson County Metro Government Health System Fixed Rate Revenue Refunding Bonds, dated October 31, 2012 (2012A Bonds) | 4,300 | 6,400 |
| Louisville/Jefferson County Metro Government Health System Variable Rate Revenue Bonds, dated August 10, 2011 (2011 Bonds) | 79,995 | 82,725 |
| Kentucky Economic Development Finance Authority, Health System Revenue Bonds, Series 2000, dated October 1, 2000 (2000 Bonds) | 178,280 | 189,420 |
| | 1,022,025 | 1,056,525 |
| Unamortized premiums | 21,251 | 18,360 |
| Less unamortized deferred financing costs | (8,237) | (8,938) |
| | 1,035,039 | 1,065,947 |
| Capital leases | — | 50,896 |
| Finance leases | 48,330 | — |
| | 1,083,369 | 1,116,843 |
| Total long-term debt | (38,183) | (37,150) |
| Less amounts due within one year | | |
| Total long-term debt, net of current portion | \$ 1,045,186 | \$ 1,079,693 |

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

7. Long-Term Debt (continued)

The 2000 Bonds are secured by a mortgage lien on the principal hospital facilities and parking garages of Norton Hospitals, Inc. built before 2006. The net book value of these properties is \$91.1 million and \$97.9 million at December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, all bonds outstanding are tax-exempt bond issues. All bonds are secured by a security interest in certain pledged collateral, including the operating revenue of the Obligated Group (defined as Norton Healthcare, Inc. and Norton Hospitals, Inc.). Principal and interest related to the bonds are payable solely by the Obligated Group.

Deferred financing costs are being amortized over the life of the respective bond issues using the effective interest method for fixed-rate bonds and the bonds outstanding method for variable-rate bonds.

The Corporation has agreed to certain covenants, which, among other things, limit additional indebtedness and guarantees and require the Corporation to maintain specific financial ratios. The Corporation is in compliance with these covenants at December 31, 2019 and 2018.

2016 Bonds

In 2016, the Corporation entered into loan agreements with the Louisville/Jefferson County Metro Government to issue \$521.1 million of Series A uninsured fixed-rate revenue bonds (2016A Bonds), \$31.3 million of Series B uninsured variable-rate bonds (2016B Bonds), and \$68.7 million of Series C uninsured variable-rate revenue bonds (2016C Bonds). Proceeds from the 2016A Bonds were used to refund all of the remaining 2006 Bonds outstanding at the time and to pay or reimburse the Corporation for the cost of acquiring, constructing, renovating, and equipping areas related to patient care and to pay certain expenses in connection with the issuance of the 2016 Bonds. Proceeds from the 2016B Bonds and 2016C Bonds were used to refund all remaining 2013B Bonds and Series 2011D Bonds outstanding at the time.

At December 31, 2019 and 2018, the 2016A Bonds consist of term bonds with interest rates ranging from 3.0% to 5.0% maturing through October 1, 2037. Interest is payable semiannually on April 1 and October 1. Beginning October 1, 2026 the 2016A Bonds maturing on or after October 1, 2026, are subject to optional redemption by the Corporation prior to maturity for 100% of par.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

7. Long-Term Debt (continued)

The 2016B Bonds and 2016C Bonds are a direct placement issue and held entirely by Branch Banking and Trust Company, with final maturity in 2021 and 2023, respectively. The 2016B and 2016C Bonds are subject to optional redemption at any time prior to maturity by the Corporation for 100% of par. At December 31, 2019 and 2018, the applicable cost of the debt for the 2016B and 2016C Bonds was approximately 2.1% and 2.6%, respectively.

2013 Bonds

In 2013, the Corporation entered into loan agreements with the Louisville/Jefferson County Metro Government to issue \$154.6 million of Series A uninsured fixed-rate revenue bonds (2013A Bonds), \$75.0 million of Series 2013B uninsured taxable variable-rate bonds (2013B Bonds), and \$50.0 million of Series C uninsured variable-rate revenue bonds (2013C Bonds). Proceeds from the 2013A Bonds and 2013C Bonds were used to pay or reimburse the Corporation for the cost of acquiring, constructing, renovating, and equipping areas related to patient care and to pay certain expense in connection with the issuance of the bonds. Proceeds from the 2013B Bonds were used to refund all remaining Series 2000C Bonds outstanding at the time.

At both December 31, 2019 and 2018, the 2013A Bonds consisted of fixed-rate term bonds with interest rates ranging from 4.50% to 5.75% maturing through October 1, 2042. The 2013A Bonds have annual sinking fund deposits of various amounts due annually on October 1 beginning in 2028. Interest is payable semiannually on April 1 and October 1. Beginning October 1, 2023 the 2013A Bonds maturing on or after October 1, 2023, are subject to optional redemption by the Corporation prior to maturity for 100% of par.

The 2013C Bonds are secured by an irrevocable direct-pay letter of credit issued by PNC Bank that has a stated maturity of September 25, 2023. While bearing interest at a weekly interest rate, the 2013C Bonds are subject to optional redemption prior to maturity at the direction of the Corporation at a redemption price of 100% of the principal amount, plus accrued interest. The 2013C Bonds have one annual sinking fund deposit of \$17.6 million due on October 1, 2042, with final maturity in 2043. At both December 31, 2019 and 2018, the applicable cost of the debt for the 2013C Bonds was approximately 2.3%.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

7. Long-Term Debt (continued)

2012 Bonds

In 2012, the Corporation entered into a loan agreement with the Louisville/Jefferson County Metro Government to issue \$21.1 million of Series A uninsured fixed-rate revenue bonds (2012A Bonds). Proceeds from the 2012A Bonds were used to refund the remainder of the 1997 Bonds. The 2012A Bonds are a direct placement issue, with a final maturity occurring in 2021. The approximate cost of debt at both December 31, 2019 and 2018, was 2.00%. The 2012A Bonds are subject to optional redemption by the Corporation at any time prior to maturity subject to “make whole” provisions.

2011 Bonds

In 2011, the Corporation entered into loan agreements with the Louisville/Jefferson County Metro Government to issue \$35.0 million of Series A uninsured variable-rate revenue bonds (2011A Bonds), \$40.0 million of Series B uninsured variable-rate revenue bonds (2011B Bonds), \$23.8 million of Series C uninsured variable-rate bonds (2011C Bonds), and \$53.7 million of Series D uninsured taxable variable-rate bonds (2011D Bonds). Proceeds from the 2011A and 2011B Bonds were used to pay or reimburse the Corporation for the cost of acquiring, constructing, renovating, and equipping areas related to patient care and to pay certain expenses in connection with the issuance of the bonds. Proceeds from the 2011C Bonds were used to refund a portion of the 1997 Bonds, and proceeds from the 2011D Bonds were used to refund all of the 2000A Bonds.

The 2011A and 2011B Bonds are secured by irrevocable direct-pay letters of credit issued by PNC Bank that expire on July 26, 2021. The final maturities for the 2011A and 2011B Bonds occur in 2039. While bearing interest at weekly or daily interest rates, the 2011A and 2011B Bonds are subject to optional redemption prior to maturity at the direction of the Corporation at a redemption price of 100% of the principal amount, plus accrued interest. The 2011A and 2011B Bonds have annual sinking fund deposits of various amounts annually, beginning October 1, 2022, through their maturity.

At December 31, 2019 and 2018, the applicable cost of the debt for the 2011A Bonds and 2011B Bonds was approximately 2.3% and 2.4%, respectively.

The 2011C Bonds are direct placement issuances and are held entirely by PNC Bank, and their final maturity occurs in 2021. At December 31, 2019 and 2018, the applicable cost of debt for the 2011C Bonds was approximately 2.5% and 3.0%, respectively. The 2011C Bonds are subject to optional redemption at any time prior to maturity subject to make whole provisions.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

7. Long-Term Debt (continued)

2000 Bonds

In 2000, the Corporation entered into loan agreements with the Kentucky Economic Development Finance Authority to issue \$148.3 million of Series A uninsured revenue bonds (2000A Bonds), \$119.2 million of Series B insured revenue bonds (2000B Bonds), and \$180.5 million of Series C insured revenue bonds (2000C Bonds), for a total of \$448.0 million (collectively, the 2000 Bonds). Proceeds from the 2000 Bonds and certain other available monies were used to legally defease the 1998 Bonds and a portion of certain outstanding 1997 and 1992 Bonds issued on behalf of the Corporation through deposits to irrevocable trusts pursuant to escrow agreements, and to pay certain expenses incurred in connection with the issuance of the 2000 Bonds, as well as fund a debt service reserve account.

At December 31, 2019 and 2018, the remaining 2000 Bonds consist of the 2000B Bonds with interest rates ranging from 6.13% to 6.23%, and 6.10% to 6.23%, respectively, maturing through October 1, 2028. Payment of principal and interest on the 2000B Bonds is guaranteed by the National Public Finance Guarantee Corporation (formerly MBIA Insurance Corporation).

Interest on the 2000B Bonds will be compounded from the dates of delivery to their respective maturities, and will be payable only at maturity, or upon redemption prior to maturity or acceleration. 2000B Bonds mature in various amounts on October 1 through 2028. 2000B Bonds are not subject to optional redemption prior to maturity.

Required debt service on all outstanding bonds is as follows:

| | Principal | Interest | Total |
|------------|-----------------------|-------------------|---------------------|
| | <i>(In Thousands)</i> | | |
| 2020 | \$ 27,338 | \$ 43,929 | \$ 71,267 |
| 2021 | 26,507 | 45,235 | 71,742 |
| 2022 | 26,674 | 45,178 | 71,852 |
| 2023 | 26,792 | 45,007 | 71,799 |
| 2024 | 15,559 | 56,211 | 71,770 |
| Thereafter | 761,035 | 395,500 | 1,156,535 |
| | <u>\$ 883,905</u> | <u>\$ 631,060</u> | <u>\$ 1,514,965</u> |

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

7. Long-Term Debt (continued)

Included as part of the interest payments above is \$7.8 million of the 2000B Bonds interest payable in 2020, which is paid at the maturity of the 2000B Bonds. For 2020 through final maturity of the 2000B Bonds, \$138.1 million is included in interest payments, which is paid at the various maturities of the 2000B Bonds.

For the variable-rate bond series, which includes all of the Series 2011 Bonds, 2013C Bonds, 2016B Bonds, and 2016C Bonds, the future periods interest estimate was based on terms of the Master Trust Indenture and is calculated using an average of Securities Industry and Financial Markets Association (SIFMA) for tax-exempt issues over approximately the last 20 years plus 1.00% to estimate liquidity, credit support, and remarketing fees. Thus, for purposes of this presentation, the Corporation has utilized 2.38%.

The Corporation paid interest of \$48.0 million and \$48.2 million during 2019 and 2018, respectively. The Corporation capitalized interest costs of \$2.9 million and \$1.7 million during 2019 and 2018, respectively.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

7. Long-Term Debt (continued)

Interest Rate Swaps

The Corporation uses derivative instruments to manage its cost of capital through interest rate swaps, which generate cash flow meant to reduce interest expense. The Corporation pays a rate based upon the SIFMA Municipal Swap Index, an index of seven-day, high-grade, tax-exempt variable-rate demand obligations. In return, the Corporation receives a rate based upon London Interbank Offered Rates (LIBOR). The Corporation holds the following interest rate swaps:

| Counter party | Notional Amount | Effective Date | Maturity Date | Receive | Pay | 2019 | 2018 |
|----------------|-----------------|----------------|---------------|--------------------------------------|---------------|----------|----------|
| (In Thousands) | | | | | | | |
| Citigroup | \$ 100,000 | 02/21/2001 | 10/01/2028 | 1.4925% of one-month LIBOR | 2 times SIFMA | \$ 1,355 | \$ 1,349 |
| Citigroup | 100,000 | 10/01/2004 | 10/01/2028 | 62.6% of one-month LIBOR plus 0.57% | SIFMA | (211) | 241 |
| Citigroup | 140,000 | 11/03/2006 | 11/03/2031 | 61.7% of one-month LIBOR plus 0.577% | SIFMA | 3,480 | 1,702 |
| Citigroup | 200,000 | 11/03/2008 | 11/03/2026 | 61.7% of ten-year LIBOR minus 0.016% | SIFMA | 877 | (926) |
| JP Morgan | 200,000 | 04/01/2019 | 04/01/2039 | 0.124% | — | (2,393) | — |
| | | 11/03/2026 | | 61.7% of ten-year LIBOR | SIFMA | — | — |
| | | | | | | \$ 3,108 | \$ 2,366 |

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

7. Long-Term Debt (continued)

Citigroup and JP Morgan serve as counterparties for the Corporation's interest rate swaps. Consistent with industry practice, the interest rate swaps require posting of collateral should either party's cumulative contract value liability exceed certain thresholds based upon the credit rating of the counterparty. The Corporation's swaps are viewed under a master netting arrangement by each counterparty to determine the aggregate amount of collateral to be posted or received by the Corporation. At December 31, 2019 and 2018, based upon the agreements with Citigroup and JP Morgan the Corporation's cumulative contract value was an asset of \$4.6 million and \$2.8 million, respectively. Based upon the Corporation's lowest credit rating (A), collateral must be posted for liabilities in excess of \$25 million. At December 31, 2019 and 2018, the Corporation had no collateral posted and was not required to post any collateral. Should the Corporation's credit rating fall below BBB, Citigroup and JP Morgan would have the option of terminating some or all of the interest rate swaps at the contract value. Should the Corporation hold all swap agreements to maturity, as it intends, no cash settlement will be necessary, and any posted swap collateral will be returned.

None of the Corporation's interest rate swaps have been designated as a hedge for accounting purposes; therefore, the change in fair value for these interest rate swaps is included in the combined statements of operations and changes in net assets as change in interest rate swaps value within non-operating gains (losses). The cash flow impact of the interest rate swaps is included in interest rate swaps benefit, net in the combined statements of operations and changes in net assets. The fair value is calculated based on a discounted cash flow model taking into consideration the terms of each interest rate swap and the credit rating of the Corporation or counterparty, as applicable.

The fair value at December 31, 2019 and 2018, is included within interest rate swaps asset on the combined balance sheets. The cash flow for these interest rate swaps is settled semiannually on April 1 and October 1. During the interim periods, a receivable or payable is recorded. As of December 31, 2019 and 2018, the cash flows were in a receivable position. The receivable is included within miscellaneous receivables on the combined balance sheets.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

7. Long-Term Debt (continued)

| | Miscellaneous Receivable | Interest Rate Swap Asset | Combined Balance Sheet, Net |
|-------------------------------------|-------------------------------------|---|--|
| | <i>(In Thousands)</i> | | |
| December 31, 2017 | \$ 441 | \$ 711 | \$ 1,152 |
| Interest rate swaps benefit, net | 2,009 | — | 2,009 |
| Swap cash settlement received | (1,986) | — | (1,986) |
| Change in interest rate swaps value | — | 1,655 | 1,655 |
| December 31, 2018 | 464 | 2,366 | 2,830 |
| Interest rate swaps benefit, net | 1,655 | — | 1,655 |
| Swap cash settlement received | (1,771) | — | (1,771) |
| Change in interest rate swaps value | — | 742 | 742 |
| December 31, 2019 | \$ 348 | \$ 3,108 | \$ 3,456 |

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

| | December 31 | |
|---|-----------------------|-------------------|
| | 2019 | 2018 |
| | <i>(In Thousands)</i> | |
| Health care services | \$ 79,086 | \$ 76,558 |
| Investments to be held in perpetuity, the income from which is expendable to support health care services | 24,411 | 18,881 |
| Beneficial interest in trusts held by others, the income from which is expendable to support health care services | 25,978 | 22,555 |
| Total net assets with donor restrictions | \$ 129,475 | \$ 117,994 |

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

9. Endowment Funds

The Corporation's endowment consists of 16 individual donor-restricted endowment funds (13 at The Children's Hospital Foundation, Inc. and three at Norton Healthcare Foundation, Inc.) established for a variety of purposes. The Children's Hospital Foundation, Inc. and Norton Healthcare Foundation, Inc. are collectively referred to as the Foundations. Net assets associated with endowment funds are included in net assets with donor restrictions.

Interpretation of Relevant Law

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted in the Commonwealth of Kentucky on March 25, 2010. The Foundations have interpreted the UPMIFA as requiring the preservation of 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. As a result of this interpretation, the Foundations classify as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) market appreciation and/or investment income that is restricted by the donor in the gift agreement.

Investment Objectives and Policy

The Foundations follow the investment policy objectives of the Corporation. The long-term objective of the policy is to generate a return, which is sufficient to meet its current and expected future financial requirements, as defined by the Corporation's long-range financial plan. To accomplish this objective, the Corporation seeks to earn the greatest total return possible consistent with its general risk tolerance, the securities noted as eligible for purchase, and the asset allocation strategies included in the investment policy. The asset allocation includes investments in cash, marketable debt and equity securities, and alternative investments.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundations have adopted a 5% spending policy, which is based upon a three-year rolling average of the fair market value of the endowment fund. The current year spending policy is calculated using year-end December 31 market values.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

9. Endowment Funds (continued)

In addition to the 5% spending policy, the Foundations consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundations and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundations
7. The investment policies of the Corporation

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original fair market value of the gift. The Foundations will not appropriate funds from the endowment for spending until the current value of the fund exceeds the fair value of the original gift, unless an appropriation is deemed prudent based upon the factors listed above.

The Corporation had endowment funds with deficiencies as follows:

| | December 31 | |
|--|-----------------------|-----------------|
| | 2019 | 2018 |
| | <i>(In Thousands)</i> | |
| Fair value of underwater endowment funds | \$ 1,974 | \$ 4,093 |
| Original endowment gifts | 2,001 | 4,571 |
| Amount of deficiencies | <u>\$ (27)</u> | <u>\$ (478)</u> |

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

9. Endowment Funds (continued)

The Corporation had endowment-related activities as follows:

| | Year Ended December 31 | |
|---|-------------------------------|------------------|
| | 2019 | 2018 |
| | <i>(In Thousands)</i> | |
| Endowment net assets, beginning of year | \$ 18,881 | \$ 20,691 |
| Investment gain (loss) | 3,494 | (1,414) |
| Contributions, less uncollectible pledges | 2,972 | 128 |
| Appropriation of endowment assets for expenditure | (960) | (884) |
| Other | 24 | 360 |
| Endowment net assets, end of year | <u>\$ 24,411</u> | <u>\$ 18,881</u> |

10. Employee Benefit Plans

Defined Benefit Plan

Certain employees of the Corporation are covered by a non-contribution defined benefit pension plan (the Plan). Benefits are generally based upon years of service and an employee's annual compensation during his or her years of service. The Corporation annually funds an amount not less than the minimum required under the Employee Retirement Income Security Act of 1974. The Plan was frozen effective January 1, 2010, and, as a result, no service cost was incurred in 2019 or 2018, and none is expected in future periods.

The Plan has been named as a defendant in a class action suit brought on behalf of certain former employees who elected to take early retirement (the Plaintiff Class), alleging that lump-sum payments made by the Plan upon their retirement were incorrectly calculated. In early 2016, the United States District Court (the Court) issued its final, appealable order, indicating that the Plan owes additional lump-sum benefits to the Plaintiff Class. The Court ordered the Plan to recalculate benefits using a court determined formula, which is different than the formula as interpreted by the Plan, and provide additional data to allow for recalculation of the benefits. As of December 31, 2019 and 2018, management has estimated potential exposure to the Plan of \$60.2 million, which has been recorded by the Plan as part of the Plan's projected benefit obligation. Both the Plaintiff Class and the Plan appealed to the court order and an appeals court hearing was held in June 2017. In May 2018, the United States Court of Appeals (Appeals Court) issued a ruling that the litigation

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

10. Employee Benefit Plans (continued)

be vacated in part and remanded to the lower Court for further evaluation. The Plan and the Plaintiff have completed briefing with the lower Court. Based on the timing of the Appeals Court ruling and the nature of the ongoing litigation, management believes the estimated potential exposure recorded by the Plan is still the best estimate at the date of issuance of the December 31, 2019, combined financial statements.

A summary of the components of net periodic benefit cost, which is included in non-operating gains (losses) in the combined statements of operations and changes in net assets, for the Plan is as follows:

| | Year Ended December 31 | |
|--------------------------------|-------------------------------|------------------|
| | 2019 | 2018 |
| | <i>(In Thousands)</i> | |
| Interest cost | \$ 9,030 | \$ 8,042 |
| Expected return on plan assets | (6,034) | (3,629) |
| Amortization of net loss | 4,470 | 4,282 |
| Settlement cost | 2,615 | 2,774 |
| Net periodic benefit cost | <u>\$ 10,081</u> | <u>\$ 11,469</u> |

Included as a component of net periodic benefit cost for 2019 and 2018 is a settlement cost of \$2.6 million and \$2.8 million, respectively. A settlement cost is required under applicable pension accounting guidance when the amount of the lump-sum benefit payments made during the fiscal year exceeds the service cost plus interest cost components of net periodic pension cost. During 2019 and 2018, the Plan paid \$11.9 million and \$10.6 million, respectively, in lump-sum benefit payments. This exceeded the threshold of \$9.0 million and \$8.0 million in 2019 and 2018, respectively. The settlement cost is determined by taking the ratio of the lump-sum benefit payments made to the projected benefit obligation before settlement, multiplied by the unrecognized loss in the Plan.

Included in net assets without donor restrictions are \$58.9 million and \$66.2 million of unrecognized actuarial losses at December 31, 2019 and 2018, respectively, which have not been recognized in net periodic benefit cost. Changes in pension plan assets and obligations recognized in net assets without donor restrictions for the years ended December 31, 2019 and 2018, were \$7.3 million and \$0.9 million, respectively.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

10. Employee Benefit Plans (continued)

A summary of the components of the changes in projected benefit obligation and fair value of plan assets for the Plan at and for the year ended December 31 is as follows:

| | 2019 | 2018 |
|---|-----------------------|--------------------|
| | <i>(In Thousands)</i> | |
| Change in projected benefit obligation: | | |
| Benefit obligation at beginning of year | \$ 252,801 | \$ 266,112 |
| Interest cost | 9,030 | 8,042 |
| Actuarial loss (gain) | 21,689 | (7,862) |
| Benefit payments: | | |
| Lump sum | (11,920) | (10,594) |
| Annuity | (3,310) | (2,897) |
| Projected benefit obligation at the end of year | <u>268,290</u> | <u>252,801</u> |
| Change in plan assets: | | |
| Fair value of plan assets at beginning of year | 175,652 | 199,410 |
| Actual return (loss) on plan assets | 27,939 | (10,432) |
| Employer contributions | 18,805 | 165 |
| Benefit payments: | | |
| Lump sum | (11,920) | (10,594) |
| Annuity | (3,310) | (2,897) |
| Fair value of plan assets at end of year | <u>207,166</u> | <u>175,652</u> |
| Funded status and net pension liability | <u>\$ (61,124)</u> | <u>\$ (77,149)</u> |

Since the Plan is frozen, there is no difference between the projected benefit obligation and the accumulated benefit obligation at December 31, 2019 or 2018.

Assumptions

Weighted-average assumptions used to determine the projected benefit obligation are as follows:

| | December 31 | |
|---|--------------------|-------------|
| | 2019 | 2018 |
| Discount rate | 2.81% | 3.88% |
| Interest crediting rate (cash balance only) | 3.33 | 2.40 |

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

10. Employee Benefit Plans (continued)

Weighted-average assumptions used to determine net periodic benefit cost are as follows:

| | December 31 | |
|---|--------------------|-------------|
| | 2019 | 2018 |
| Discount rate | 3.88% | 3.26% |
| Expected long-term rate of return on assets | 5.00 | 3.00 |

The rate of return assumption was developed by applying an expected long-term rate of return, based primarily on long-term historical returns by asset type and applying the weighted-average percentage of total plan assets.

Plan Assets

The Plan seeks to assume an appropriate amount of risk to ensure enough assets are available over the life of the Plan to satisfy current and future liabilities. The Plan seeks to achieve and maintain a fully funded status while mitigating the funded status volatility. The strategy for achieving and maintaining this status may vary based on the current funded status, the duration of the Plan's liabilities, the demographics of plan participants and other factors.

The Plan's target asset allocation is designed to meet the Plan liability as split between traditional and cash balance formulas. The target allocation for the traditional benefit portion of the Plan assets was as follows:

| | December 31 | |
|--------------------|--------------------|-------------|
| | 2019 | 2018 |
| Fixed income | 65% | 65% |
| Equity/real assets | 35 | 35 |
| | 100% | 100% |

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

10. Employee Benefit Plans (continued)

The target asset allocation for the cash balance portion of the Plan assets was as follows:

| | December 31 | |
|---|--------------------|-------------|
| | 2019 | 2018 |
| Fixed income | 70% | 70% |
| Equity | 18 | 18 |
| Real assets | 2 | 2 |
| Cash or other highly liquid investments | 10 | 10 |
| | 100% | 100% |

Fair Value Measurements

The Plan's assets impacting the funded status of the Plan are accounted for under ASC 715, *Compensation – Retirement Benefits*. The following table presents the plan assets carried at fair value by type of investments and the fair value levels defined in Note 1:

| | December 31 | | Level |
|---|-----------------------|-------------|--------------|
| | 2019 | 2018 | |
| | <i>(In Thousands)</i> | | |
| Separately-managed accounts | | | |
| IR+M fixed income – traditional ^(A) : | | | |
| Marketable debt securities: | | | |
| U.S. government | \$ 2,254 | \$ 1,224 | 2 |
| Corporate | 67,553 | 59,524 | 2 |
| Other | 3,679 | 2,916 | 2 |
| Total IR+M fixed income – traditional | 73,486 | 63,664 | |
| IR+M fixed income – cash balance ^(B) : | | | |
| Marketable debt securities: | | | |
| U.S. government | 2,189 | 1,001 | 2 |
| Corporate | 53,020 | 48,779 | 2 |
| Other | 1,808 | 1,420 | 2 |
| Total IR+M fixed income – cash balance | 57,017 | 51,200 | |
| Total separately-managed accounts | \$ 130,503 | \$ 114,864 | |

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

10. Employee Benefit Plans (continued)

| | December 31 | | Level |
|---|-----------------------|-------------------|--------------|
| | 2019 | 2018 | |
| | <i>(In Thousands)</i> | | |
| Mutual funds: | | | |
| Hotchkis & Wiley High Yield Fund ^(C) | \$ — | \$ 3,942 | 1 |
| PIMCO Foreign Bond Fund ^(D) | 2,159 | 2,050 | 1 |
| PIMCO Emerging Market Local Bond Fund ^(E) | 1,850 | 1,601 | 1 |
| Vanguard Inflation Protected Securities Fund ^(F) | 3,525 | 3,207 | 1 |
| Wells Fargo International Bond Fund ^(G) | 2,199 | 2,038 | 1 |
| Dimensional Emerging Markets Fund ^(H) | 3,445 | 2,612 | 1 |
| American Funds Europacific Growth Fund ^(I) | 10,808 | 7,610 | 1 |
| Fidelity Real Estate Index Fund ^(J) | 4,807 | 4,301 | 1 |
| Oakmark International Fund ^(K) | 10,323 | 7,249 | 1 |
| Artisan High Yield Income ^(L) | 4,474 | — | 2 |
| Total mutual funds | 43,590 | 34,610 | |
| Common and collective trust funds: | | | |
| Legal and General S&P 500 Index Fund ^(M) | 20,973 | 15,944 | NAV |
| GQG Emerging Markets Fund ^(N) | 3,289 | 2,549 | NAV |
| Wellington Small Capital Opportunities Fund ^(O) | 6,909 | 4,847 | NAV |
| Total common and collective trust funds | 31,171 | 23,340 | |
| Pooled separate accounts: | | | |
| Edge Asset Management ^(P) | 1,615 | 2,586 | 2 |
| Money market fund | 287 | 252 | 1 |
| Total pooled separate accounts | 1,902 | 2,838 | |
| Total plan assets, at fair value | \$ 207,166 | \$ 175,652 | |

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

10. Employee Benefit Plans (continued)

- (A) Separately-managed account invested in fixed income securities, including U.S. government securities, corporate bonds, and other fixed-income strategy investments. The account seeks to perform at a blended index of 45% Barclays U.S. Intermediate Credit and 55% Barclays U.S. Long Credit Index to match the estimated duration of the traditional benefit obligations.
- (B) Separately-managed account invested in fixed income securities, including U.S. government securities, corporate bonds, and other fixed-income strategy investments. The account seeks to perform at the Barclays U.S. Corporate High Yield Index to match the estimated duration of the cash balance benefit obligations.
- (C) Mutual fund whose total return strategy seeks to emphasize higher quality and lower volatility to meet the Barclays U.S. Corporate High Yield Index.
- (D) Mutual fund investing primarily in intermediate duration non-U.S. fixed income securities from investment grade issuers in developed countries to meet the Barclays Global Aggregate Ex-U.S. Index.
- (E) Mutual fund investing in local currency-denominated emerging markets debt instruments of intermediate duration to meet the JP Morgan Emerging Market Bond Index.
- (F) Mutual fund investing at least 80% of its assets in inflation-indexed bonds issued by the U.S. government and corporations to meet the Bloomberg Barclays U.S. TIPS Index.
- (G) Mutual fund seeking total return by principally investing in foreign debt securities to meet the Barclays Global Aggregate Ex-U.S. Index.
- (H) Mutual fund seeking to achieve long-term capital appreciation by investing in companies in emerging markets to meet the MSCI Emerging Markets Index.
- (I) Mutual fund seeking to provide long-term growth of capital by investing in attractively valued companies in developed and emerging markets to meet the MSCI ACWI Ex-USA Index.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

10. Employee Benefit Plans (continued)

- (J) Mutual fund seeking to provide investment results that correspond to the total return of equity REITs and other real estate related investments to meet the FTSE NAREIT Equity REITs Index.
- (K) Mutual fund seeking capital appreciation by investing in mid- and large-capitalization companies located outside the U.S. to meet the MSCI ACWI Ex U.S. Large Value Index.
- (L) The Fund invests in non-investment grade corporate bonds and secured and unsecured loans of U.S. and non-U.S. issuers with high-quality business models and strives to exceed the Barclays U.S. Corporate High Yield Index.
- (M) Common and collective trust investing in primarily publicly traded U.S. securities to meet the S&P 500 Index.
- (N) Common and collective trust seeks long-term capital appreciation by investing in growth businesses in emerging markets to meet the MSCI Emerging Markets Index.
- (O) Common and collective trust seeks to provide long-term total return by investments in companies with small market capitalizations to meet the Russell 2000 Index.
- (P) Actively managed fund of corporate and municipal fixed-income securities whose return is meant to mirror the Barclays U.S. 1 – 3 Year Credit Bond Index.

Fair value methodologies for Plan assets identified as Level 1, Level 2, and NAV are consistent with the inputs described in Note 5.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

10. Employee Benefit Plans (continued)

Cash Flows

The Corporation does not expect to contribute to the Plan in 2020. The following table sets forth the benefit payout projections for the next ten years (in thousands):

| | |
|-------------------------------|-----------|
| Plan year ending December 31: | |
| 2020 | \$ 25,690 |
| 2021 | 19,960 |
| 2022 | 19,300 |
| 2023 | 16,500 |
| 2024 | 17,200 |
| 2025 – 2029 | 70,120 |

Defined Contribution Plan

403(b)/401(k) Plan

In addition to the Plan, the Corporation also has defined contribution 403(b)/401(k) retirement plans (collectively referred to as Defined Contribution Plans). The 401(k) retirement plan was terminated effective January 1, 2019. Participants were given the option to rollover 401(k) participant account balances to other qualified defined contribution plans, including the Corporation's 403(b) defined contribution plan, if eligible, or receive distributions upon plan liquidation. Effective January 1, 2018, the Corporation provides a matching contribution per pay period basis, up to 4% of employees' compensation. The Corporation will fund an additional non-elective contribution of 2% for employees who have at least 20 years of service as of January 1, 2018, and who do not terminate at any time during the plan year and are employed as of the last day of the plan year.

Beginning in the 2018 plan year, discretionary contributions to the Defined Contribution Plans are based upon years of service and the amount an employee contributes above 4% of their eligible compensation if they are actively employed on the last day of the plan year. For employees with 0 to less than 10 years of service at the end of the plan year, the Corporation will match 50% of the next 2% of the employee's contribution while for those employees with 10 or more years of service at the end of the plan year, the Corporation will match 100% of the next 2% of the employee's contribution.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

10. Employee Benefit Plans (continued)

Total expense related to the Defined Contribution Plans was \$47.2 million and \$45.1 million for the years ended December 31, 2019 and 2018, respectively, and is included in labor and benefits on the combined statements of operations and changes in net assets.

11. Functional Expenses

The Corporation, through certain affiliates (principally Norton Hospitals, Inc.), provides general health care services to residents within its geographic location.

The tables below present expenses by both their nature and function.

| | Health Care Services | Support Services | Total |
|-------------------------------------|-------------------------|---------------------|--------------|
| | <i>(In Thousands)</i> | | |
| Year ended December 31, 2019 | | | |
| Operating expenses: | | | |
| Labor and benefits | \$ 1,101,659 | \$ 192,211 | \$ 1,293,870 |
| Professional fees | 82,091 | 622 | 82,713 |
| Drugs and supplies | 570,794 | 34,026 | 604,820 |
| Fees and special services | 61,786 | 71,726 | 133,512 |
| Repairs, maintenance, and utilities | 40,186 | 51,378 | 91,564 |
| Rent and leases | 40,954 | 3,156 | 44,110 |
| Insurance | 23,622 | 690 | 24,312 |
| Provider tax | 20,130 | — | 20,130 |
| Other | 12,780 | 9,102 | 21,882 |
| Total operating expenses | 1,954,002 | 362,911 | 2,316,913 |
| Fixed expenses: | | | |
| Depreciation and amortization | 85,403 | 19,139 | 104,542 |
| Interest expense | 43,720 | (2,498) | 41,222 |
| Interest rate swap benefit, net | — | (1,655) | (1,655) |
| Total fixed expenses | 129,123 | 14,986 | 144,109 |
| Total expenses | \$ 2,083,125 | \$ 377,897 | \$ 2,461,022 |

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

11. Functional Expenses (continued)

| | Health Care Services | Support Services | Total |
|-------------------------------------|-------------------------|---------------------|--------------|
| | <i>(In Thousands)</i> | | |
| Year ended December 31, 2018 | | | |
| Operating expenses: | | | |
| Labor and benefits | \$ 1,014,802 | \$ 184,333 | \$ 1,199,135 |
| Professional fees | 79,499 | 552 | 80,051 |
| Drugs and supplies | 527,833 | 958 | 528,791 |
| Fees and special services | 60,757 | 66,438 | 127,195 |
| Repairs, maintenance, and utilities | 37,074 | 43,578 | 80,652 |
| Rent and leases | 35,103 | 3,105 | 38,208 |
| Insurance | 22,143 | 1,962 | 24,105 |
| Provider tax | 20,130 | — | 20,130 |
| Other | 10,161 | 10,418 | 20,579 |
| Total operating expenses | 1,807,502 | 311,344 | 2,118,846 |
| Fixed expenses: | | | |
| Depreciation and amortization | 78,919 | 19,563 | 98,482 |
| Interest expense | 46,269 | 597 | 46,866 |
| Interest rate swap benefit, net | — | (2,009) | (2,009) |
| Total fixed expenses | 125,188 | 18,151 | 143,339 |
| Total expenses | \$ 1,932,690 | \$ 329,495 | \$ 2,262,185 |

12. Commitments and Contingencies

The Corporation is in the process of improving and expanding its facilities. Future commitments related to the renovation of existing facilities or construction of new facilities totaled \$110.6 million and \$70.7 million at December 31, 2019 and 2018, respectively. This will be funded through bond proceeds and cash flows generated from operations.

The Corporation is subject to claims and suits arising in the ordinary course of business. Management assesses the probable outcome of unresolved litigation and records estimated settlements, if applicable. In the opinion of management, the ultimate resolution of pending legal proceedings will not have a material effect on the Corporation's combined financial position.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

13. Leases

The Corporation has operating and finance leases for medical offices, administrative offices, and certain equipment leases.

The following table presents the components of rent and lease expense for the year ended December 31, 2019 (in thousands):

| | |
|---------------------------------------|------------------|
| Operating leases: | |
| Operating lease expense | \$ 29,915 |
| Finance leases: | |
| Amortization of right-of-use assets | 3,827 |
| Interest on finance lease liabilities | 3,749 |
| Total finance lease expense | 7,576 |
| Short-term and variable lease expense | 7,245 |
| Less sublease income | (1,631) |
| Net lease expense | <u>\$ 43,105</u> |

The following table presents the components of the Corporation's right-of-use assets and liabilities related to leases and their classification in the combined balance sheet:

| Combined Balance Sheet Classification | | December 31, 2019 |
|---------------------------------------|---|----------------------|
| | | (In Thousands) |
| Assets: | | |
| Operating leases | Operating lease right-of-use assets | \$ 183,467 |
| Finance leases | Property and equipment, net | 37,424 |
| Total lease right-of-use assets | | <u>\$ 220,891</u> |
| Liabilities: | | |
| Current: | | |
| Operating leases | Current portion of operating lease liability | \$ 19,506 |
| Finance leases | Current portion of long-term debt | 3,033 |
| Noncurrent: | | |
| Operating leases | Long-term operating lease liability, net of current portion | 163,143 |
| Finance leases | Long-term debt, net of current portion | 45,297 |
| Total lease liabilities | | <u>\$ 230,979</u> |

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

13. Leases (continued)

Other information related to leases for the year ended December 31, 2019 (dollars in thousands) is as follows:

Supplemental cash flow information

Cash paid for amounts included in the measurement of lease liabilities:

| | | |
|--|----|--------|
| Operating cash flows from finance leases | \$ | 3,705 |
| Operating cash flows from operating leases | | 27,310 |
| Financing cash flows from finance leases | | 1,924 |

Right-of-use assets obtained in exchange for new lease obligations

| | | |
|------------------|----|--------|
| Operating leases | \$ | 29,540 |
| Finance leases | | — |

Weighted average remaining lease term (in years)

| | |
|------------------|------|
| Operating leases | 8.7 |
| Finance leases | 16.0 |

Weighted average discount rate

| | |
|-------------------------------|-------|
| Operating leases ¹ | 2.98% |
| Finance leases | 7.78 |

¹ Upon adoption of ASC 842 on January 1, 2019, discount rates used for existing leases were established at January 1, 2019

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

13. Leases (continued)

Commitments relating to non-cancellable operating and finance leases as of December 31, 2019, are as follows:

| | Operating | Finance |
|-------------------------------------|-----------------------|----------------|
| | <i>(In Thousands)</i> | |
| 2020 | \$ 24,677 | \$ 6,422 |
| 2021 | 27,684 | 6,759 |
| 2022 | 26,491 | 6,900 |
| 2023 | 24,472 | 7,026 |
| 2024 | 22,041 | 7,156 |
| Thereafter | 84,684 | 57,552 |
| Total minimum future lease payments | 210,049 | 91,815 |
| Less imputed interest | (27,400) | (43,485) |
| Total lease liabilities | 182,649 | 48,330 |
| Less current portion | (19,506) | (3,033) |
| Long-term lease liabilities | \$ 163,143 | \$ 45,297 |

At December 31, 2018, certain leases were classified as capital leases. The leased assets are included as a part of property and equipment (Note 3), and the capital lease obligations are recorded in the current and non-current portion of long-term debt in the combined balance sheet. Assets recorded under capital lease as of December 31, 2018, were \$62.6 million. Accumulated amortization on these capital lease assets was \$22.3 million at December 31, 2018.

Future payments on capital leases at December 31, 2018, were as follows:

| | Principal | Interest | Total |
|------------|-----------------------|-----------------|--------------|
| | <i>(In Thousands)</i> | | |
| 2019 | \$ 2,610 | \$ 3,705 | \$ 6,315 |
| 2020 | 2,901 | 3,521 | 6,422 |
| 2021 | 3,454 | 3,305 | 6,759 |
| 2022 | 3,850 | 3,050 | 6,900 |
| 2023 | 4,259 | 2,767 | 7,026 |
| Thereafter | 33,822 | 30,852 | 64,674 |
| | \$ 50,896 | \$ 47,200 | \$ 98,096 |

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

13. Leases (continued)

Other leases were classified as operating and are not capitalized. The payments on such leases are recorded as rent and leases in the combined statement of operations and changes in net assets. Rental expense, which includes amounts applicable to cancelable leases, for the year ended December 31, 2018, was \$38.2 million.

Future minimum lease payments for office space and equipment, by year, under non-cancelable, operating leases with initial or remaining terms in excess of one year at December 31, 2018, were as follows (in thousands):

| | |
|--------------------------|-------------------|
| Year ending December 31: | |
| 2019 | \$ 30,345 |
| 2020 | 29,330 |
| 2021 | 28,108 |
| 2022 | 26,993 |
| 2023 | 24,584 |
| Thereafter | 106,308 |
| Total | <u>\$ 245,668</u> |

14. Concentration of Credit Risk

The Corporation grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of patient accounts receivable from patients and third-party payors is as follows:

| | December 31 | |
|--------------------------|--------------------|-------------|
| | 2019 | 2018 |
| Medicare | 23% | 21% |
| Medicaid | 16 | 18 |
| Blue Cross | 29 | 25 |
| Other third-party payors | 25 | 26 |
| Self-pay | 7 | 10 |
| | <u>100%</u> | <u>100%</u> |

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

15. Premier Healthcare Alliance, LP

The Corporation is a partner in Premier Healthcare Alliance, LP (Premier LP), which is a group purchasing organization (GPO). The Corporation's participation in the GPO provides purchasing contract rates and rebates the Corporation would not be able to obtain on its own. The Corporation holds membership units in Premier LP which have vesting rights over a seven-year period and upon vesting become eligible for exchange into the Class A publicly traded common stock of Premier, Inc. The Corporation currently accounts for its membership units in Premier LP using the cost method of accounting. The increase in the estimated value of the Corporation's membership units as they vest is considered a vendor incentive under applicable accounting literature, which increases the Corporation's investment in Premier LP and reduces supplies expense over the seven-year vesting period ending in 2020. The Corporation recognized a vendor incentive as a reduction in supplies expense for the common stock vesting of \$10.2 million and \$14.7 million for the years ended December 31, 2019 and 2018, respectively.

The Corporation exchanged 329,728 membership units for 329,728 shares of Class A common stock of Premier, Inc. and 1,648,640 membership units for 1,648,640 shares of Class A common stock of Premier, Inc. on October 31, 2019 and 2018, respectively. These transactions resulted in reclassifications from investment in joint ventures to assets limited as to use in the combined balance sheet of \$10.7 million and \$59.0 million at the respective dates of the transfers. The Class A common stock shares of Premier, Inc. were sold in December 2019 and November and December 2018, respectively, and the Corporation realized gains of \$1.3 million and \$6.2 million for the years ended December 31, 2019 and 2018, respectively, which are included in investment gain in the combined statement of operations and changes in net assets.

16. The Regional Health Network of Kentucky and Southern Indiana, LLC

In May 2012, the Corporation entered into a partnership agreement with Lifepoint Hospitals, Inc. to form The Regional Health Network of Kentucky and Southern Indiana, LLC (Regional) for the purpose of acquiring and operating hospitals in southern Indiana and Kentucky, currently Scott County Memorial Hospital and Clark Memorial Hospital.

The Corporation has an ownership interest in Regional of 25% at both December 31, 2019 and 2018, and does not manage or control the operations. The investment is accounted for under the equity method of accounting wherein the Corporation's investment (recorded on a one-month lag) is recorded in investments in joint ventures in the Corporation's combined balance sheets and its share of the income (loss), which is disclosed in Note 1, is reflected in joint venture income in the Corporation's combined statements of operations and changes in net assets.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

16. The Regional Health Network of Kentucky and Southern Indiana, LLC (continued)

The following is a summary of Regional's assets, liabilities, and equity (from its unaudited financial statements):

| | December 31 | |
|-------------------------------|-----------------------|-------------------|
| | 2019 | 2018 |
| | <i>(In Thousands)</i> | |
| Assets | | |
| Cash and cash equivalents | \$ 465 | \$ 1,356 |
| Patient accounts receivable | 32,311 | 22,892 |
| Property and equipment, net | 50,259 | 68,914 |
| Other assets | 27,563 | 15,502 |
| Total assets | <u>\$ 110,598</u> | <u>\$ 108,664</u> |
| Liabilities and equity | | |
| Accounts payable | \$ 8,132 | \$ 9,126 |
| Accrued payroll | 8,085 | 7,557 |
| Intercompany | 38,046 | 34,845 |
| Other liabilities | (1,014) | 5,958 |
| Total liabilities | <u>53,249</u> | <u>57,486</u> |
| Total equity | <u>57,349</u> | <u>51,178</u> |
| Total liabilities and equity | <u>\$ 110,598</u> | <u>\$ 108,664</u> |

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

16. The Regional Health Network of Kentucky and Southern Indiana, LLC (continued)

The following is a summary of Regional's results of operations (from its unaudited financial statements):

| | Year Ended December 31 | |
|-------------------------------------|-------------------------------|-------------|
| | 2019 | 2018 |
| | <i>(In Thousands)</i> | |
| Revenue | \$ 197,094 | \$ 189,031 |
| Operating expenses: | | |
| Labor and benefits | 97,562 | 98,217 |
| Professional fees | 4,242 | 4,269 |
| Supplies | 31,236 | 29,624 |
| Fees and special services | 13,552 | 12,282 |
| Repairs, maintenance, and utilities | 13,709 | 13,975 |
| Rents and leases | 1,491 | 1,416 |
| Insurance | 1,320 | 1,559 |
| Non-income taxes | 9,696 | 15,840 |
| Other | 3,315 | 3,616 |
| Total operating expenses | 176,123 | 180,798 |
| Earnings before fixed expenses | 20,971 | 8,233 |
| Fixed expenses: | | |
| Depreciation | 7,051 | 10,201 |
| Interest expense | 2,758 | 1,772 |
| Management fees | 5,897 | 5,687 |
| Other non-operating gains | (906) | (7,457) |
| | 14,800 | 10,203 |
| Income (loss) from operations | \$ 6,171 | \$ (1,970) |

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

17. Subsequent Events

Companies that are considered public (e.g., have publicly traded debt) are required to disclose significant changes occurring in the fourth quarter that may impact previously reported quarterly financial statements. Management has determined there are no other transactions that require disclosure for the quarter ended December 31, 2019.

2020 Bond Offering

In March 2020, the Corporation entered into loan agreements with Louisville/Jefferson County Metro Government to issue \$150.0 million of Series A uninsured fixed-rate revenue bonds (2020A Bonds), \$125.0 million of Series B uninsured fixed-rate revenue bonds (2020B Bonds), \$75.0 million of Series C uninsured fixed-rate revenue bonds (2020C Bonds), and \$50.0 million of Series D uninsured fixed-rate revenue bonds (2020D Bonds). The proceeds of these bonds will be used to pay or reimburse the Corporation for the cost of constructing, planning, renovating, expanding, equipping and acquiring patient care related projects and/or equipment.

At March 31, 2020 the 2020A Bonds consist of serial bonds maturing 2037 through 2040 and term bonds with annual sinking fund deposits in 2041 through 2043. Interest rates vary from 3.0% to 5.0%. Interest is payable semiannually on April 1 and October 1. Beginning October 1, 2029 the 2020A Bonds maturing on or after October 1, 2029, are subject to optional redemption by the Corporation prior to maturity for 100% of par.

The 2020B Bonds, 2020C Bonds, and 2020D Bonds mature in 2047 with annual sinking fund deposits in 2043 through 2047 with interest of 5.0% payable semiannually on April 1 and October 1. The 2020B Bonds, 2020C Bonds, and 2020D Bonds are subject to mandatory purchase provisions, in which the Corporation will be required to purchase the bonds at 100% of par on October 1, 2023, October 1, 2026 and October 1, 2029, respectively. The Corporation may fund these repurchases by remarketing the bonds. The 2020B Bonds, the 2020C Bonds, and the 2020D Bonds are subject to optional redemption by the Corporation prior to maturity at various redemption prices plus accrued interest beginning July 1, 2023, through September 30, 2023, July 1, 2026, through September 30, 2026 and July 1, 2029, through September 28, 2029, respectively.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

17. Subsequent Events (continued)

COVID-19 Outbreak

The effects of the global viral outbreak of coronavirus disease 2019 (COVID-19) in 2020, which include significant stock market exchange volatility, various temporary business closures, and event cancellations, may result in supply disruptions, decisions to defer elective procedures and other medical treatments at the Corporation's facilities, and/or other impacts to the Corporation as the broader economic impact of COVID-19 develops. While the ultimate impact of these matters to the Corporation and its financial condition is presently unknown, the effects of COVID-19 could negatively impact the Corporation's financial condition. The accompanying combined financial statements as of and for the year ended December 31, 2019, do not reflect the effects of these subsequent events.

The Corporation has evaluated and disclosed any subsequent events through March 31, 2020, which is the date the accompanying combined financial statements were issued. No recognized or non-recognized subsequent events were identified for recognition or disclosure in the combined financial statements.

Supplementary Information

Report of Independent Auditors on Supplementary Information

The Board of Trustees
Norton Healthcare, Inc. and Affiliates

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The following combining balance sheet and combining statement of operations and changes in net assets without donor restrictions are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Ernst & Young LLP

March 31, 2020

Norton Healthcare, Inc. and Affiliates

Combining Balance Sheet

December 31, 2019

| | Norton Healthcare, Inc. | Norton Hospitals, Inc. ¹ | Community Medical Associates, Inc. | Norton Properties, Inc. | Norton Enterprises, Inc. | The Children's Hospital Foundation, Inc. | Norton Healthcare, Inc. | Eliminations | Combined Totals |
|--|-------------------------|-------------------------------------|------------------------------------|-------------------------|--------------------------|--|-------------------------|--------------|-----------------|
| <i>(In Thousands)</i> | | | | | | | | | |
| Assets | | | | | | | | | |
| Current assets: | | | | | | | | | |
| Cash and cash equivalents | \$ 109,638 | \$ 9 | \$ (297) | \$ — | \$ (134) | \$ 351 | \$ 11 | \$ — | \$ 109,578 |
| Marketable securities and other investments | 131,194 | — | — | — | — | — | — | — | 131,194 |
| Patient accounts receivable | 5,623 | 226,547 | 22,681 | — | 7,535 | — | — | — | 262,386 |
| Inventory | 3,214 | 56,300 | 368 | — | 1,188 | 35 | 69 | — | 61,174 |
| Prepaid expenses and other | 45,545 | 2,404 | — | 15 | 36 | 208 | — | — | 48,208 |
| Miscellaneous receivables | 10,219 | 440 | 402 | (43) | — | 4,612 | 5,492 | — | 21,122 |
| Current portion of assets limited as to use | 23,077 | — | — | — | — | — | — | — | 23,077 |
| Total current assets | 328,510 | 285,700 | 23,154 | (28) | 8,625 | 5,206 | 5,572 | — | 656,739 |
| Assets limited as to use, net of current portion | 1,480,419 | — | — | — | — | 60,204 | 32,333 | — | 1,572,956 |
| Property and equipment, net | 74,730 | 836,367 | 34,254 | 123,775 | 387 | 37 | — | — | 1,069,550 |
| Other assets: | | | | | | | | | |
| Investments in joint ventures | 21,673 | 2,545 | — | — | 38,111 | — | — | (34,415) | 27,914 |
| Pledges receivable, net | — | — | — | — | — | 16,176 | 7,372 | — | 23,548 |
| Beneficial interest in trusts held by others | — | — | — | — | — | 17,978 | 8,000 | — | 25,978 |
| Goodwill and indefinite-lived intangible assets | — | 7,446 | 6,506 | — | 6,556 | — | — | — | 20,508 |
| Interest rate swaps asset | 3,108 | — | — | — | — | — | — | — | 3,108 |
| Operating lease right-of-use assets | 1,286 | 647 | — | — | 181,534 | — | — | — | 183,467 |
| Other assets | (765,528) | 1,644,429 | (723,176) | (102,599) | (30,986) | 1,645 | 132 | (422) | 23,495 |
| Total other assets | (739,461) | 1,655,067 | (716,670) | 78,935 | 13,681 | 35,799 | 15,504 | (34,837) | 308,018 |
| Total assets | \$ 1,144,198 | \$ 2,777,134 | \$ (659,262) | \$ 202,682 | \$ 22,693 | \$ 101,246 | \$ 53,409 | \$ (34,837) | \$ 3,607,263 |

¹Includes the balance sheet for Norton; Norton Children's; Audubon; Norton Women's and Children's; Brownsboro Hospitals; Norton Children's Medical Center; Norton Diagnostic Center- Fern Creek; Norton Diagnostic Center-DuPont; Norton Diagnostic Center-Brownsboro; Norton Cancer Institute; Norton Hospitals, Inc. owned medical office building; Cardiovascular Diagnostic Centers; and Norton Healthcare pharmacies.

Norton Healthcare, Inc. and Affiliates

Combining Balance Sheet (continued)

December 31, 2019

| Liabilities and net assets | | | | | | | | | | | | | | | | | |
|---|--------------|----|--------------|----|--------------|----|------------|----|-----------|----|------------|----|-----------|----|-------------|----|--------------|
| Current liabilities: | | | | | | | | | | | | | | | | | |
| Accounts payable | | | | | | | | | | | | | | | | | |
| \$ | 19,726 | \$ | 63,122 | \$ | 2,196 | \$ | 494 | \$ | 1,550 | \$ | 82 | \$ | 14 | \$ | — | \$ | 87,184 |
| Accrued expenses and other | | | | | | | | | | | | | | | | | |
| | 43,642 | | 30,991 | | 2,078 | | 439 | | 815 | | 77 | | 22 | | — | | 78,064 |
| Current portion of operating lease liability | | | | | | | | | | | | | | | | | |
| | 688 | | 438 | | — | | 18,380 | | — | | — | | — | | — | | 19,506 |
| Accrued payroll and related items | | | | | | | | | | | | | | | | | |
| | 105,676 | | 5,748 | | 27,406 | | — | | 259 | | — | | — | | — | | 139,089 |
| Due to third-party payors, net | | | | | | | | | | | | | | | | | |
| | — | | 23,900 | | — | | — | | — | | — | | — | | — | | 23,900 |
| Accrued interest | | | | | | | | | | | | | | | | | |
| | 8,411 | | — | | — | | — | | — | | — | | — | | — | | 8,411 |
| Current portion of long-term debt | | | | | | | | | | | | | | | | | |
| | 35,150 | | — | | — | | 3,033 | | — | | — | | — | | — | | 38,183 |
| Total current liabilities | | | | | | | | | | | | | | | | | |
| | 213,293 | | 124,199 | | 31,680 | | 22,346 | | 2,624 | | 159 | | 36 | | — | | 394,337 |
| Other non-current liabilities: | | | | | | | | | | | | | | | | | |
| Pension liability | | | | | | | | | | | | | | | | | |
| | 61,124 | | — | | — | | — | | — | | — | | — | | — | | 61,124 |
| Insurance liability | | | | | | | | | | | | | | | | | |
| | 90,384 | | — | | — | | — | | — | | — | | — | | — | | 90,384 |
| Long-term operating lease liability, net of current portion | | | | | | | | | | | | | | | | | |
| | 598 | | 208 | | — | | 162,337 | | — | | — | | — | | — | | 163,143 |
| Other | | | | | | | | | | | | | | | | | |
| | 63,739 | | 8,129 | | — | | 4,364 | | — | | 2,166 | | 2,194 | | — | | 80,592 |
| Total other non-current liabilities | | | | | | | | | | | | | | | | | |
| | 215,845 | | 8,337 | | — | | 166,701 | | — | | 2,166 | | 2,194 | | — | | 395,243 |
| Long-term debt, net of current portion | | | | | | | | | | | | | | | | | |
| | 999,889 | | — | | — | | 45,297 | | — | | — | | — | | — | | 1,045,186 |
| Net (deficit) assets: | | | | | | | | | | | | | | | | | |
| Without donor restrictions | | | | | | | | | | | | | | | | | |
| | (284,976) | | 2,634,171 | | (691,435) | | (31,666) | | 20,069 | | 29,136 | | 2,560 | | (34,837) | | 1,643,022 |
| With donor restrictions | | | | | | | | | | | | | | | | | |
| | 147 | | 10,427 | | 493 | | 4 | | — | | 69,785 | | 48,619 | | — | | 129,475 |
| Total net (deficit) assets | | | | | | | | | | | | | | | | | |
| | (284,829) | | 2,644,598 | | (690,942) | | (31,662) | | 20,069 | | 98,921 | | 51,179 | | (34,837) | | 1,772,497 |
| Total liabilities and net (deficit) assets | | | | | | | | | | | | | | | | | |
| | \$ 1,144,198 | | \$ 2,777,134 | | \$ (659,262) | | \$ 202,682 | | \$ 22,693 | | \$ 101,246 | | \$ 53,409 | | \$ (34,837) | | \$ 3,607,263 |

Includes the balance sheet for Norton; Norton Children's; Audubon; Norton Women's and Children's; Brownsboro Hospitals; Norton Children's Medical Center; Norton Diagnostic Center-Fern Creek; Norton Diagnostic Center-DuPont; Norton Cancer Institute; Norton Hospitals, Inc. owned medical office building; Cardiovascular Diagnostic Centers; and Norton Healthcare pharmacies.

Norton Healthcare, Inc. and Affiliates

Combining Statement of Operations and Changes in Net Assets without Donor Restrictions

Year Ended December 31, 2019

| | Norton Healthcare, Inc. | Norton Hospitals, Inc. ¹ | Community Medical Associates, Inc. | Norton Properties, Inc. | Norton Enterprises, Inc. | The Children's Hospital Foundation, Inc. | Norton Healthcare Foundation, Inc. | Eliminations | Combined Totals |
|-----------------------|-------------------------|-------------------------------------|------------------------------------|-------------------------|--------------------------|--|------------------------------------|--------------|-----------------|
| <i>(In Thousands)</i> | | | | | | | | | |

| | | | | | | | | | |
|-----------------------------|-----------|--------------|------------|--------|-----------|--------|-------|-----------|--------------|
| Revenue: | | | | | | | | | |
| Net patient service revenue | \$ 36,388 | \$ 2,049,775 | \$ 388,311 | \$ — | \$ 33,120 | \$ — | \$ — | \$ — | \$ 2,494,112 |
| Other revenue | 15,938 | 13,373 | 34,889 | 47,836 | 7,691 | 370 | 1,152 | (73,028) | 48,221 |
| Donations and contributions | 1,132 | 5,437 | 799 | — | — | 12,337 | 5,928 | (13,896) | 11,737 |
| Joint venture (loss) income | (76) | 1,015 | — | — | 5,151 | — | — | — | 6,090 |
| Total revenue | 53,382 | 2,069,600 | 423,999 | 47,836 | 45,962 | 12,707 | 7,080 | (100,406) | 2,560,160 |

| | | | | | | | | | |
|---|-----------|-----------|-----------|---------|--------|---------|-------|-----------|-----------|
| Operating expenses: | | | | | | | | | |
| Labor and benefits | 189,796 | 677,417 | 404,424 | 2,009 | 17,809 | 1,884 | 531 | — | 1,293,870 |
| Professional fees | 558 | 84,137 | 2,322 | — | — | 64 | — | — | 82,713 |
| Drugs and supplies | 33,387 | 528,477 | 34,182 | 67 | 8,068 | 237 | 402 | — | 604,820 |
| Fees and special services | 70,452 | 61,569 | 15,546 | 1,247 | 11,401 | 952 | 322 | (27,977) | 133,512 |
| Repairs, maintenance, and utilities | 51,374 | 31,395 | 4,950 | 3,574 | 267 | 3 | 1 | — | 91,564 |
| Rent and leases | 12,442 | 22,781 | 25,150 | 36,700 | 608 | 96 | 32 | (53,699) | 44,110 |
| Insurance | 417 | 12,710 | 10,551 | 113 | 248 | 224 | 49 | — | 24,312 |
| Provider tax | — | 20,130 | — | — | — | — | — | — | 20,130 |
| Other | 6,477 | 6,206 | 5,207 | 1,156 | 632 | 11,068 | 5,498 | (14,362) | 21,882 |
| Management allocation | (324,379) | 268,096 | 47,921 | 4,823 | 3,539 | — | — | — | — |
| Total operating expenses | 40,524 | 1,712,918 | 550,253 | 49,689 | 42,572 | 14,528 | 6,835 | (100,406) | 2,316,913 |
| Earnings (deficit) before fixed expenses and other gains (losses) | 12,858 | 356,682 | (126,254) | (1,853) | 3,390 | (1,821) | 245 | — | 243,247 |
| Fixed expenses: | | | | | | | | | |
| Depreciation and amortization | 19,131 | 70,753 | 6,286 | 8,269 | 95 | 6 | 2 | — | 104,542 |
| Interest expense | (2,498) | 39,971 | — | 3,749 | — | — | — | — | 41,222 |
| Interest rate swap benefit, net | (1,655) | — | — | — | — | — | — | — | (1,655) |
| | 14,978 | 110,724 | 6,286 | 12,018 | 95 | 6 | 2 | — | 144,109 |

¹Includes the statement of operations and changes in unrestricted net assets for Norton; Norton Children's; Audubon; Norton Women's and Children's; Brownsboro Hospitals; Norton Children's Medical Center; Norton Diagnostic Center-Fern Creek; Norton Diagnostic Center-DuPont; Norton Diagnostic Center-Brownsboro; Norton Cancer Institute; Norton Hospitals, Inc. owned medical office building; Cardiovascular Diagnostic Centers; and Norton Healthcare pharmacies.

Norton Healthcare, Inc. and Affiliates

Combining Statement of Operations and Changes in Net Assets without Donor Restrictions (continued)

| | Norton Healthcare, Inc. | Norton Hospitals, Inc. ¹ | Community Medical Associates, Inc. | Norton Properties, Inc. | Norton Enterprises, Inc. | The Children's Hospital Foundation, Inc. | Norton Healthcare Foundation, Inc. | Eliminations | Combined Totals |
|--|-------------------------|-------------------------------------|------------------------------------|-------------------------|--------------------------|--|------------------------------------|--------------|-----------------|
| Patient service (deficit) margin | \$ (2,120) | \$ 245,958 | \$ (132,540) | \$ (13,871) | \$ 3,295 | \$ (1,827) | \$ 243 | \$ — | \$ 99,138 |
| Investment gain | 72,293 | — | — | — | — | 1,651 | 182 | — | 74,126 |
| Operating gain (loss) | 70,173 | 245,958 | (132,540) | (13,871) | 3,295 | (176) | 425 | — | 173,264 |
| Non-operating gains (losses): | | | | | | | | | |
| Change in net unrealized gains on investments | 113,466 | — | — | — | — | 2,850 | 346 | — | 116,662 |
| Change in interest rate swaps value | 742 | — | — | — | — | — | — | — | 742 |
| Petersdorf Fund grants | (6,201) | — | 439 | — | — | — | — | — | (5,762) |
| Net periodic pension cost | (10,081) | — | — | — | — | — | — | — | (10,081) |
| Other non-operating gains (losses), net | 6,684 | (579) | (1) | — | 331 | (3) | — | (422) | 6,010 |
| Total non-operating gains (losses) | 104,610 | (579) | 438 | — | 331 | 2,847 | 346 | (422) | 107,571 |
| Excess of revenue over expenses | 174,783 | 245,379 | (132,102) | (13,871) | 3,626 | 2,671 | 771 | (422) | 280,835 |
| Change in pension plan asset and obligation | 7,309 | — | — | — | — | — | — | — | 7,309 |
| Net assets released from restriction for equipment and other | (158) | 5,489 | 1,272 | 8 | — | 478 | (152) | — | 6,937 |
| Increase (decrease) in net assets without donor restrictions | 181,934 | 250,868 | (130,830) | (13,863) | 3,626 | 3,149 | 619 | (422) | 295,081 |
| | \$ 181,934 | \$ 250,868 | \$ (130,830) | \$ (13,863) | \$ 3,626 | \$ 3,149 | \$ 619 | \$ (422) | \$ 295,081 |

¹Includes the statement of operations and changes in unrestricted net assets for Norton; Norton Children's; Audubon; Norton Women's and Children's; Brownsboro Hospitals; Norton Children's Medical Center; Norton Diagnostic Center-Fern Creek; Norton Diagnostic Center-DuPont; Norton Diagnostic Center-Brownsboro; Norton Cancer Institute; Norton Hospitals, Inc. owned medical office building; Cardiovascular Diagnostic Centers; and Norton Healthcare pharmacies.

About EY

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**Application for Automatic Extension of Time To File an
Exempt Organization Return**

OMB No. 1545-0047

► **File a separate application for each return.**
 ► **Go to www.irs.gov/Form8868 for the latest information.**

Electronic filing (e-file). You can electronically file Form 8868 to request a 6-month automatic extension of time to file any of the forms listed below with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, for which an extension request must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit www.irs.gov/e-file-providers/e-file-for-charities-and-non-profits.

Automatic 6-Month Extension of Time. Only submit original (no copies needed).

All corporations required to file an income tax return other than Form 990-T (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.

| | | |
|--|---|---|
| Type or print File by the due date for filing your return. See instructions. | Name of exempt organization or other filer, see instructions. NORTON HOSPITALS, INC. | Taxpayer identification number (TIN) 61-0703799 |
| | Number, street, and room or suite no. If a P.O. box, see instructions. ACCOUNTING, 224 E BROADWAY, 5TH FLOOR | |
| | City, town or post office, state, and ZIP code. For a foreign address, see instructions. LOUISVILLE, KY 40202 | |

Enter the Return Code for the return that this application is for (file a separate application for each return) **0 1**

| Application Is For | Return Code | Application Is For | Return Code |
|--|-------------|-----------------------------------|-------------|
| Form 990 or Form 990-EZ | 01 | Form 990-T (corporation) | 07 |
| Form 990-BL | 02 | Form 1041-A | 08 |
| Form 4720 (individual) | 03 | Form 4720 (other than individual) | 09 |
| Form 990-PF | 04 | Form 5227 | 10 |
| Form 990-T (sec. 401(a) or 408(a) trust) | 05 | Form 6069 | 11 |
| Form 990-T (trust other than above) | 06 | Form 8870 | 12 |

• The books are in the care of ► **HELENA SCHULZ**

Telephone No. ► **(502) 629-8263** Fax No. ►

• If the organization does not have an office or place of business in the United States, check this box ► ☐

• If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) If this is for the whole group, check this box ► ☐ . If it is for part of the group, check this box ► ☐ and attach a list with the names and TINs of all members the extension is for.

1 I request an automatic 6-month extension of time until **11/15**, 20 **20**, to file the exempt organization return for the organization named above. The extension is for the organization's return for:

► ☒ calendar year 20 **19** or

► ☐ tax year beginning _____, 20 _____, and ending _____, 20 _____.

2 If the tax year entered in line 1 is for less than 12 months, check reason: ☐ Initial return ☐ Final return

☐ Change in accounting period

| | | |
|---|-----------|----|
| 3a If this application is for Forms 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions. | 3a | \$ |
| b If this application is for Forms 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit. | 3b | \$ |
| c Balance due. Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions. | 3c | \$ |

Caution: If you are going to make an electronic funds withdrawal (direct debit) with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.