

# IRS e-file Signature Authorization for an Exempt Organization

For calendar year 2012, or fiscal year beginning 07/01, 2012, and ending 06/30, 2013

## 2012

Department of the Treasury  
Internal Revenue Service

▶ Do not send to the IRS. Keep for your records.

Name of exempt organization WESTERN MD HEALTH SYSTEM CORP. INC. Employer identification number 52-0591531

Name and title of officer KIMBERLY S. REPAC, VP, CFO

### Part I Type of Return and Return Information (Whole Dollars Only)

Check the box for the return for which you are using this Form 8879-EO and enter the applicable amount, if any, from the return. If you check the box on line 1a, 2a, 3a, 4a, or 5a, below, and the amount on that line for the return being filed with this form was blank, then leave line 1b, 2b, 3b, 4b, or 5b, whichever is applicable, blank (do not enter -0-). But, if you entered -0- on the return, then enter -0- on the applicable line below. Do not complete more than 1 line in Part I.

1a	Form 990 check here ▶ <input checked="" type="checkbox"/>	b Total revenue, if any (Form 990, Part VIII, column (A), line 12) . . . . .	1b	<u>388521941.</u>
2a	Form 990-EZ check here ▶ <input type="checkbox"/>	b Total revenue, if any (Form 990-EZ, line 9) . . . . .	2b	_____
3a	Form 1120-POL check here ▶ <input type="checkbox"/>	b Total tax (Form 1120-POL, line 22) . . . . .	3b	_____
4a	Form 990-PF check here ▶ <input type="checkbox"/>	b Tax based on investment income (Form 990-PF, Part VI, line 5). . . . .	4b	_____
5a	Form 8868 check here ▶ <input type="checkbox"/>	b Balance Due (Form 8868, Part I, line 3c or Part II, line 8c) . . . . .	5b	_____

### Part II Declaration and Signature Authorization of Officer

Under penalties of perjury, I declare that I am an officer of the above organization and that I have examined a copy of the organization's 2012 electronic return and accompanying schedules and statements and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that the amount in Part I above is the amount shown on the copy of the organization's electronic return. I consent to allow my intermediate service provider, transmitter, or electronic return originator (ERO) to send the organization's return to the IRS and to receive from the IRS (a) an acknowledgement of receipt or reason for rejection of the transmission, (b) the reason for any delay in processing the return or refund, and (c) the date of any refund. If applicable, I authorize the U.S. Treasury and its designated Financial Agent to initiate an electronic funds withdrawal (direct debit) entry to the financial institution account indicated in the tax preparation software for payment of the organization's federal taxes owed on this return, and the financial institution to debit the entry to this account. To revoke a payment, I must contact the U.S. Treasury Financial Agent at 1-888-353-4537 no later than 2 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment. I have selected a personal identification number (PIN) as my signature for the organization's electronic return and, if applicable, the organization's consent to electronic funds withdrawal.

Officer's PIN: check one box only

I authorize GRANT THORNTON LLP to enter my PIN 

1	4	2	1	9
---	---	---	---	---

 as my signature  
ERO firm name

Enter five numbers, but do not enter all zeros

on the organization's tax year 2012 electronically filed return. If I have indicated within this return that a copy of the return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I also authorize the aforementioned ERO to enter my PIN on the return's disclosure consent screen.

As an officer of the organization, I will enter my PIN as my signature on the organization's tax year 2012 electronically filed return. If I have indicated within this return that a copy of the return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I will enter my PIN on the return's disclosure consent screen.

Officer's signature ▶ *Kimberly S. Repac* Date ▶ 4/30/14

### Part III Certification and Authentication

ERO's EFIN/PIN. Enter your six-digit electronic filing identification number (EFIN) followed by your five-digit self-selected PIN. 

2	3	6	9	5	3	3	6	6	0	5
---	---	---	---	---	---	---	---	---	---	---

 do not enter all zeros

I certify that the above numeric entry is my PIN, which is my signature on the 2012 electronically filed return for the organization indicated above. I confirm that I am submitting this return in accordance with the requirements of Pub. 4163, Modernized e-File (MeF) Information for Authorized IRS e-file Providers for Business Returns.

ERO's signature ▶ *Grant Thornton LLP* Date ▶ 4/30/2014

**ERO Must Retain This Form - See Instructions  
Do Not Submit This Form To the IRS Unless Requested To Do So**

For Paperwork Reduction Act Notice, see back of form.

## Cumulative E-File History 2012

**FED**

Locator: 0120ET  
Taxpayer Name: WESTERN MD HEALTH SYSTEM CORP. INC.  
Return Type: 990, 990

<b>Submitted Date</b>	4/30/2014 10:26:42 AM
<b>Acknowledgement Date</b>	4/30/2014 10:56:20 AM
<b>Status</b>	Accepted
<b>Submission ID</b>	23695320141205000009

**Print**

**Close**

Return of Organization Exempt From Income Tax

2012

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Open to Public Inspection

Department of the Treasury Internal Revenue Service

The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 2012 calendar year, or tax year beginning 07/01, 2012, and ending 06/30, 2013

Form header section containing organization name (WESTERN MD HEALTH SYSTEM CORP. INC.), EIN (52-0591531), address (P.O. BOX 539 CUMBERLAND, MD 21501), and principal officer (KIMBERLY S. REPAC).

Part I Summary

Summary table with columns for Revenue, Expenses, and Net Assets or Fund Balances. Rows include mission statement, revenue breakdown, and total assets.

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.

Signature block section with fields for officer signature, date, preparer name (FRANK D. GIARDINI), and firm information (GRANT THORNTON LLP).

May the IRS discuss this return with the preparer shown above? (see instructions) [X] Yes [ ] No



Department of the Treasury  
Internal Revenue Service  
Ogden UT 84201

For assistance, call:  
1-877-829-5500  
FAX 801-620-5670

Notice Number: CP211A  
Date: October 21, 2013

013966.232771.0058.001 1 AB 0.384 373  
|1|0|0|0|1|0|1|0|0|1|0|0|5|8|0|0|1|1|A|B|0|3|8|4|3|7|3|

Taxpayer Identification Number:  
52-0591531  
Tax Form: 990  
Tax Period: June 30, 2013



WESTERN MARYLAND HEALTH SYSTEM  
% WESTERN MARYLAND HEALTH SYST  
PO BOX 539  
CUMBERLAND MD 21501-0539

013966

### APPLICATION FOR EXTENSION OF TIME TO FILE AN EXEMPT ORGANIZATION RETURN - APPROVED

We received and approved your Form 8868, Application for Extension of Time to File an Exempt Organization Return, for the return (form) and tax period identified above. Your extended due date to file your return is **May 15, 2014**.

When it's time to file your Form 990, 990-EZ, 990-PF or 1120-POL, you should consider filing electronically. Electronic filing is the fastest, easiest and most accurate way to file your return. For more information, visit the Charities and Nonprofit web at [www.irs.gov/eo](http://www.irs.gov/eo). This site will provide information about:

- The type of returns that can be filed electronically,
- approved e-File providers, and
- if you are required to file electronically.

If you have any questions, please call us at the number shown above, or you may write us at the address shown at the top of this letter.

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III [X]

1 Briefly describe the organization's mission:

THE MISSION OF WESTERN MD HEALTH SYSTEM IS TO IMPROVE THE HEALTH STATUS AND QUALITY OF LIFE OF THE INDIVIDUALS AND THE COMMUNITIES SERVED, ESPECIALLY THOSE IN NEED - SUPERIOR CARE FOR ALL WE SERVE

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 [X] No

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? [ ] Yes [X] No

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 \$ 213,584,256. including grants of \$ ) (Revenue \$ 240,403,899. )

ANCILLARY CARE

WESTERN MARYLAND HEALTH SYSTEM (WMHS) OFFERS A COMPREHENSIVE RANGE OF GENERAL AND SPECIALTY SERVICES FOR PATIENTS. SURGICAL, LABORATORY, RADIOLOGY, CARDIOLOGY, CANCER, RESPIRATORY AND PULMONARY ARE THE LARGER SERVICES PROVIDED AT THE HOSPITAL. A SMALLER SCALE OF ANCILLARY SERVICES ARE PROVIDED AT THE NURSING HOME.

4b (Code: ) (Expenses \$ 86,427,684. including grants of \$ ) (Revenue \$ 97,280,355. )

INPATIENT ROUTINE CARE

WESTERN MARYLAND HEALTH SYSTEM (WMHS) IS A FULL SERVICE COMMUNITY HOSPITAL LICENSED FOR 267 BEDS INCLUDING MEDICAL-SURGICAL, INTENSIVE CARE, HIGH LEVEL CARE, OBSTETRIC, PEDIATRIC, PSYCHIATRIC REHABILITATION, NURSERY, AND 88 NURSING HOME BEDS. FOR THE YEAR, 14,033 PATIENTS WERE ADMITTED TO THE HOSPITAL AND FOR THE NURSING HOME, THE AVERAGE DAILY CENSUS WAS 79 PATIENTS. THE HEALTH SYSTEM ACCEPTS PATIENTS REGARDLESS OF THEIR ABILITY TO PAY. THOSE PATIENTS WHO MEET CERTAIN CRITERIA UNDER WMHS'S CHARITY CARE POLICIES RECEIVE SERVICES AT NO CHARGE OR AT AN AMOUNT LESS THAN FULL CHARGES.

4c (Code: ) (Expenses \$ 20,711,762. including grants of \$ ) (Revenue \$ 23,312,525. )

PHYSICIAN PRACTICES, CLINICS, AND HOME CARE

WESTERN MARYLAND HEALTH SYSTEM (WMHS) OPERATES 18 PHYSICIAN PRACTICES, 2 URGENT CARE CLINICS, AND A HOME CARE PRACTICE. THE PHYSICIAN PRACTICES HAD 78,582 ENCOUNTERS; THE CLINICS HAD 16,725 ENCOUNTERS AND HOME CARE HAD 32,875 VISITS FOR THE YEAR.

4d Other program services (Describe in Schedule O.) ATTACHMENT 1 (Expenses \$ 11,822,219. including grants of \$ ) (Revenue \$ 14,115,074. )

4e Total program service expenses 332,545,921.

Part IV Checklist of Required Schedules

Table with 3 columns: Question number, Yes, No. Rows include questions 1 through 20b regarding organizational requirements for various schedules (A through H).

**Part IV Checklist of Required Schedules (continued)**

		Yes	No
21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II.</i> . . . . .		X
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III.</i> . . . . .		X
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? <i>If "Yes," complete Schedule J.</i> . . . . .	X	
24 a	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? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25.</i> . . . . .	X	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . . .		X
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? . . . . .		X
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . . .		X
25 a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I.</i> . . . . .		X
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? <i>If "Yes," complete Schedule L, Part I.</i> . . . . .		X
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II.</i> . . . . .		X
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III.</i> . . . . .		X
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, or key employee? <i>If "Yes," complete Schedule L, Part IV.</i> . . . . .	X	
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV.</i> . . . . .		X
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV.</i> . . . . .		X
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M.</i> . . . . .		X
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M.</i> . . . . .		X
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I.</i> . . . . .		X
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II.</i> . . . . .		X
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? <i>If "Yes," complete Schedule R, Part I.</i> . . . . .		X
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1.</i> . . . . .	X	
35 a	Did the organization have a controlled entity within the meaning of section 512(b)(13)? . . . . .		X
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)? <i>If "Yes," complete Schedule R, Part V, line 2.</i> . . . . .		
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2.</i> . . . . .		X
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? <i>If "Yes," complete Schedule R, Part VI.</i> . . . . .		X
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	X	

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response to any question in this Part V.

Table with columns for question number, description, and Yes/No checkboxes. Includes questions 1a through 14b regarding Form 1096, Form W-2G, backup withholding, Form W-3, unrelated business gross income, foreign country (CAYMAN ISLANDS), prohibited tax shelter transactions, annual gross receipts, and various organizational requirements.



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 in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI. [X]

Section A. Governing Body and Management

Table with 3 columns: Question, Yes, No. Rows include 1a (15), 1b (11), 2, 3, 4, 5, 6, 7a, 7b, 8a, 8b, 9.

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

Table with 3 columns: Question, Yes, No. Rows include 10a, 10b, 11a, 11b, 12a, 12b, 12c, 13, 14, 15a, 15b, 16a, 16b.

Section C. Disclosure

- 17 List the states with which a copy of this Form 990 is required to be filed
18 Section 6104 requires an organization to make its Forms 1023 (or 1024 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.
19 Describe in 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, physical address, and telephone number of the person who possesses the books and records of the organization.

**Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors**

Check if Schedule O contains a response to any question 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.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

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) MARY ANN JENKINS BOARD MEMBER	2.50	X					0	0	0	
(2) SHIV KHANNA MD BOARD MEMBER	2.50	X					0	0	0	
(3) ELIZABETH HURWITZ-SCHWAB BOARD MEMBER	2.50	X					0	0	0	
(4) JOYCE LAPP BOARD MEMBER	2.50	X					0	0	0	
(5) M KATHRYN BURKEY BOARD MEMBER	3.50	X					0	0	0	
(6) MARY PIROLOZZI BOARD MEMBER	2.50	X					0	0	0	
(7) DAVID C MATHEWS BOARD MEMBER	2.50	X					0	0	0	
(8) SHARON NICOL BOARD MEMBER	2.50	X					0	0	0	
(9) COURTNEY THOMAS BOARD MEMBER	2.50	X					0	0	0	
(10) RICHARD WATRO BOARD MEMBER	2.50	X					0	0	0	
(11) ROLF HAARSTAD VICE CHAIRMAN	2.50			X			0	0	0	
(12) GREGG WOLFF MD SECRETARY	2.50			X			0	0	0	
(13) JOHN DAVIS CHAIRMAN	3.50			X			0	0	0	
(14) KIM LEONARD TREASURER	3.50			X			0	0	0	

**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) BARRY P RONAN PRESIDENT/CEO	40.00			X			692,972.	0	180,650.	
16) KIMBERLY S REPAC VP, CFO	40.00			X			282,757.	0	55,172.	
17) NANCY D ADAMS VP, COO/CNE	40.00			X			206,883.	0	48,583.	
18) WILLIAM BYERS VP, CIO	40.00				X		146,460.	0	40,224.	
19) GEORGE C GARROW VP, CMO	40.00				X		227,987.	0	47,031.	
20) STEVEN R SMITH MD PHYSICIAN ENTERPRISE DIRECTOR	40.00				X		310,558.	0	60,044.	
21) JO M WILSON VP, SUPPORT OPERATIONS	40.00				X		157,635.	0	39,610.	
22) KEVIN R TURLEY VP, SUPPORT OPERATIONS	40.00				X		152,009.	0	41,760.	
23) MICHELE R MARTZ VP, REVENUE CYCLE	40.00				X		136,645.	0	38,643.	
24) SUBRATO J DEB MD PHYSICIAN	40.00					X	554,924.	0	82,854.	
25) CHRISTOPHER B HAAS MD PHYSICIAN	40.00					X	596,001.	0	78,582.	
<b>1b Sub-total</b>							0	0	0	
<b>c Total from continuation sheets to Part VII, Section A</b>							6,064,857.	0	1,120,343.	
<b>d Total (add lines 1b and 1c)</b>							6,064,857.	0	1,120,343.	

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 **106**

	Yes	No
3 Did the organization list any former officer, director, or trustee, key employee, or highest compensated employee on line 1a? If "Yes," complete Schedule J for such individual	X	
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? If "Yes," complete Schedule J for such individual	X	
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? If "Yes," complete Schedule J for such person		X

**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
ATTACHMENT 2		

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization **29**

**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			
26) MARK G NELSON MD PHYSICIAN	40.00					X		605,633.	0	88,078.
27) GARY SCHMIDT MD PHYSICIAN	40.00					X		870,558.	0	118,264.
28) DALE E WOLFORD MD PHYSICIAN	40.00					X		445,696.	0	77,335.
29) THOMAS C DOWDELL VP, COO	40.00						X	287,496.	0	58,055.
30) MARK J SULLIVAN VP, HUMAN RESOURCES	40.00						X	191,683.	0	43,781.
31) JAMES M RAVER MD PHYSICIAN	40.00						X	198,960.	0	21,677.
<b>1b Sub-total</b> . . . . . ▶										
<b>c Total from continuation sheets to Part VII, Section A</b> . . . . . ▶										
<b>d Total (add lines 1b and 1c)</b> . . . . . ▶										

**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 ▶ 106

- 3** Did the organization list any **former** officer, director, or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual* . . . . .
- 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? *If "Yes," complete Schedule J for such individual* . . . . .
- 5** Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? *If "Yes," complete Schedule J for such person* . . . . .

	Yes	No
3	X	
4	X	
5		X

**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

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

**Part VIII Statement of Revenue**

Check if Schedule O contains a response to any question 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, 513, or 514		
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . . . .	1a					
	b	Membership dues . . . . .	1b					
	c	Fundraising events . . . . .	1c					
	d	Related organizations . . . . .	1d	67,542.				
	e	Government grants (contributions) . .	1e	846,124.				
	f	All other contributions, gifts, grants, and similar amounts not included above .	1f	429,657.				
	g	Noncash contributions included in lines 1a-1f: \$						
	h	<b>Total. Add lines 1a-1f . . . . .</b>		<b>1,343,323.</b>				
Program Service Revenue	2a	ANCILLARY CARE	Business Code 621990	240,403,899.	239,862,315.	541,584.		
	b	INPATIENT ROUTINE CARE	621990	97,280,355.	97,280,355.			
	c	PHYSICIAN PRACTICES, CLINICS & HOME CARE	621990	23,312,525.	23,312,525.			
	d	EMERGENCY CARE	621990	14,115,074.	14,115,074.			
	e							
	f	All other program service revenue . . . . .						
	g	<b>Total. Add lines 2a-2f . . . . .</b>		<b>375,111,853.</b>				
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) . . . . .		4,948,719.		23,345.	
4		Income from investment of tax-exempt bond proceeds . . .		0				
5		Royalties . . . . .		0				
6a		Gross rents . . . . .	(i) Real	(ii) Personal				
			804,216.	13,480.				
			b	Less: rental expenses . . . . .	772,224.			
			c	Rental income or (loss) . . . . .	31,992.	13,480.		
d		Net rental income or (loss) . . . . .			45,472.		45,472.	
7a		Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
			4,157,781.	236,088.				
			b	Less: cost or other basis and sales expenses . . . . .	3,854,812.	16,851.		
			c	Gain or (loss) . . . . .	302,969.	219,237.		
d		Net gain or (loss) . . . . .			522,206.		522,206.	
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c). See Part IV, line 18 . . . . .	a					
b		Less: direct expenses . . . . .	b					
c		Net income or (loss) from fundraising events . . . . .			0			
9a		Gross income from gaming activities. See Part IV, line 19 . . . . .	a					
b		Less: direct expenses . . . . .	b					
c	Net income or (loss) from gaming activities . . . . .			0				
10a	Gross sales of inventory, less returns and allowances . . . . .	a						
b	Less: cost of goods sold . . . . .	b						
c	Net income or (loss) from sales of inventory . . . . .			0				
Miscellaneous Revenue			Business Code					
11a	CAFETERIA	621500	113,264.	113,264.				
b	REIMBURSEMENT OF EXPENSES	621500	1,320,859.	1,320,859.				
c	MISCELLANEOUS	621500	5,116,245.	4,826,811.	289,434.			
d	All other revenue . . . . .							
e	<b>Total. Add lines 11a-11d . . . . .</b>		<b>6,550,368.</b>					
12	<b>Total revenue. See instructions . . . . .</b>		<b>388,521,941.</b>	<b>380,831,203.</b>	<b>854,363.</b>	<b>5,493,052.</b>		

**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 to any question in this Part IX

<i>Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.</i>	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the United States. See Part IV, line 21 . . . . .	0			
2 Grants and other assistance to individuals in the United States. See Part IV, line 22 . . . . .	0			
3 Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16 . . . . .	0			
4 Benefits paid to or for members . . . . .	0			
5 Compensation of current officers, directors, trustees, and key employees . . . . .	2,917,494.	2,713,269.	204,225.	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . . .	0			
7 Other salaries and wages . . . . .	101,695,067.	94,576,412.	7,118,655.	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions) . . . . .	12,242,251.	11,385,293.	856,958.	
9 Other employee benefits . . . . .	19,806,144.	18,419,714.	1,386,430.	
10 Payroll taxes . . . . .	7,181,517.	6,678,811.	502,706.	
11 Fees for services (non-employees):				
a Management . . . . .	0			
b Legal . . . . .	341,625.		341,625.	
c Accounting . . . . .	311,000.		311,000.	
d Lobbying . . . . .	0			
e Professional fundraising services. See Part IV, line 17 . . . . .	0			
f Investment management fees . . . . .	134,753.		134,753.	
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O.) . . . . .	3,513,051.	3,267,137.	245,914.	
12 Advertising and promotion . . . . .	428,253.	398,275.	29,978.	
13 Office expenses . . . . .	63,935,011.	59,459,560.	4,475,451.	
14 Information technology . . . . .	4,034,702.	3,752,273.	282,429.	
15 Royalties . . . . .	0			
16 Occupancy . . . . .	3,710,447.	3,450,716.	259,731.	
17 Travel . . . . .	645,799.	600,593.	45,206.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .	0			
19 Conferences, conventions, and meetings . . . . .	0			
20 Interest . . . . .	15,457,462.		15,457,462.	
21 Payments to affiliates . . . . .	0			
22 Depreciation, depletion, and amortization . . . . .	27,256,764.	25,348,791.	1,907,973.	
23 Insurance . . . . .	4,931,443.	4,586,242.	345,201.	
24 Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a <u>CONTRACTUAL/CHARITY</u> . . . . .	76,022,133.	70,700,584.	5,321,549.	
b <u>BAD DEBTS</u> . . . . .	7,513,682.	6,987,724.	525,958.	
c <u>MEDICAL PROFESSIONAL FEES</u> . . . . .	7,271,249.	6,762,262.	508,987.	
d <u>MINORITY INTEREST</u> . . . . .	2,295,790.	2,135,085.	160,705.	
e All other expenses . . . . .	11,864,461.	11,323,180.	541,281.	
25 Total functional expenses. Add lines 1 through 24e	373,510,098.	332,545,921.	40,964,177.	
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) . . . . .	0			

**Part X Balance Sheet**

Check if Schedule O contains a response to any question in this Part X

		(A) Beginning of year		(B) End of year	
<b>Assets</b>	1	Cash - non-interest-bearing	40,319,518.	1	48,724,379.
	2	Savings and temporary cash investments	28,189,638.	2	39,021,558.
	3	Pledges and grants receivable, net	0	3	0
	4	Accounts receivable, net	41,515,157.	4	40,847,055.
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L	0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions). Complete Part II of Schedule L	0	6	0
	7	Notes and loans receivable, net	0	7	0
	8	Inventories for sale or use	5,690,768.	8	5,955,717.
	9	Prepaid expenses and deferred charges	4,018,510.	9	3,788,996.
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 522,983,839.		
	b	Less: accumulated depreciation	10b 190,647,418.	10c	332,336,421.
	11	Investments - publicly traded securities	0	11	0
	12	Investments - other securities. See Part IV, line 11	0	12	0
	13	Investments - program-related. See Part IV, line 11	0	13	0
	14	Intangible assets	0	14	0
	15	Other assets. See Part IV, line 11	82,467,230.	15	93,601,727.
16	<b>Total assets.</b> Add lines 1 through 15 (must equal line 34)	556,652,526.	16	564,275,853.	
<b>Liabilities</b>	17	Accounts payable and accrued expenses	30,486,432.	17	29,793,834.
	18	Grants payable	0	18	0
	19	Deferred revenue	0	19	0
	20	Tax-exempt bond liabilities	325,360,000.	20	317,915,000.
	21	Escrow or custodial account liability. Complete Part IV of Schedule D	0	21	0
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L	0	22	0
	23	Secured mortgages and notes payable to unrelated third parties	0	23	0
	24	Unsecured notes and loans payable to unrelated third parties	0	24	0
	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	94,894,254.	25	72,567,008.
	26	<b>Total liabilities.</b> Add lines 17 through 25	450,740,686.	26	420,275,842.
<b>Net Assets or Fund Balances</b>	<b>Organizations that follow SFAS 117 (ASC 958), check here</b> <input checked="" type="checkbox"/> <b>and complete lines 27 through 29, and lines 33 and 34.</b>				
	27	Unrestricted net assets	105,146,654.	27	143,627,500.
	28	Temporarily restricted net assets	524,327.	28	127,748.
	29	Permanently restricted net assets	240,859.	29	244,763.
	<b>Organizations that do not follow SFAS 117 (ASC 958), check here</b> <input type="checkbox"/> <b>and complete lines 30 through 34.</b>				
	30	Capital stock or trust principal, or current funds		30	
	31	Paid-in or capital surplus, or land, building, or equipment fund		31	
	32	Retained earnings, endowment, accumulated income, or other funds		32	
33	<b>Total net assets or fund balances</b>	105,911,840.	33	144,000,011.	
34	<b>Total liabilities and net assets/fund balances</b>	556,652,526.	34	564,275,853.	

**Part XI Reconciliation of Net Assets**

Check if Schedule O contains a response to any question in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	388,521,941.
2	Total expenses (must equal Part IX, column (A), line 25)	2	373,510,098.
3	Revenue less expenses. Subtract line 2 from line 1	3	15,011,843.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	105,911,840.
5	Net unrealized gains (losses) on investments	5	190,127.
6	Donated services and use of facilities	6	0
7	Investment expenses	7	0
8	Prior period adjustments	8	0
9	Other changes in net assets or fund balances (explain in Schedule O)	9	22,886,201.
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	144,000,011.

**Part XII Financial Statements and Reporting**

Check if Schedule O contains a response to any question in this Part XII

- 1 Accounting method used to prepare the Form 990:  Cash  Accrual  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:  
 Separate basis  Consolidated basis  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:  
 Separate basis  Consolidated basis  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 in 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 in Schedule O and describe any steps taken to undergo such audits

	Yes	No
2a		X
2b	X	
2c	X	
3a	X	
3b	X	



**SCHEDULE A**  
**(Form 990 or 990-EZ)**

**Public Charity Status and Public Support**

OMB No. 1545-0047

**2012**

**Open to Public Inspection**

Department of the Treasury  
Internal Revenue Service

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. ▶ See separate instructions.

<b>Name of the organization</b> WESTERN MD HEALTH SYSTEM CORP. INC.	<b>Employer identification number</b> 52-0591531
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**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 11, 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.)
- 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 organization that normally receives: (1) more than 33 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 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.)
- 10  An organization organized and operated exclusively to test for public safety. See **section 509(a)(4)**.
- 11  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 that describes the type of supporting organization and complete lines 11e through 11h.
  - a  Type I    b  Type II    c  Type III-Functionally integrated    d  Type III-Non-functionally integrated
- e  By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2).
- f If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box
- g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?
  - (i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?
  - (ii) A family member of a person described in (i) above?
  - (iii) A 35% controlled entity of a person described in (i) or (ii) above?

	Yes	No
<b>11g(i)</b>		
<b>11g(ii)</b>		
<b>11g(iii)</b>		

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-9 above or IRC section (see instructions))	(iv) Is the organization in col. (i) listed in your governing document?		(v) Did you notify the organization in col. (i) of your support?		(vi) Is the organization in col. (i) organized in the U.S.?		(vii) Amount of monetary support
			Yes	No	Yes	No	Yes	No	
(A)									
(B)									
(C)									
(D)									
(E)									
<b>Total</b>									

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ. Schedule A (Form 990 or 990-EZ) 2012

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

Table with 7 columns: (a) 2008, (b) 2009, (c) 2010, (d) 2011, (e) 2012, (f) Total. Rows include: 1 Gifts, grants, contributions, and membership fees received; 2 Tax revenues levied for the organization's benefit; 3 The value of services or facilities furnished by a governmental unit; 4 Total; 5 The portion of total contributions by each person; 6 Public support.

Section B. Total Support

Table with 7 columns: (a) 2008, (b) 2009, (c) 2010, (d) 2011, (e) 2012, (f) Total. Rows include: 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; 10 Other income; 11 Total support.

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

Section C. Computation of Public Support Percentage

14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f)) 14 %
15 Public support percentage from 2011 Schedule A, Part II, line 14 15 %
16a 33 1/3% support test - 2012. 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
b 33 1/3% support test - 2011. 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
17a 10%-facts-and-circumstances test - 2012. 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 IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization.
b 10%-facts-and-circumstances test - 2011. 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 IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization.
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

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

(Complete only if you checked the box on line 9 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

Table with 7 columns: (a) 2008, (b) 2009, (c) 2010, (d) 2011, (e) 2012, (f) Total. Rows include: 1 Gifts, grants, contributions, and membership fees received; 2 Gross receipts from admissions, merchandise sold or services performed; 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; 5 The value of services or facilities furnished by a governmental unit; 6 Total. Add lines 1 through 5; 7a Amounts included on lines 1, 2, and 3 received from disqualified persons; 7b Amounts included on lines 2 and 3 received from other than disqualified persons; 7c Add lines 7a and 7b; 8 Public support (Subtract line 7c from line 6).

Section B. Total Support

Table with 7 columns: (a) 2008, (b) 2009, (c) 2010, (d) 2011, (e) 2012, (f) Total. Rows include: 9 Amounts from line 6; 10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources; 10b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975; 10c 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 IV.); 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.

Section C. Computation of Public Support Percentage

Table with 3 columns: Description, Value, Percentage. Row 15: Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f)) - 15 - %. Row 16: Public support percentage from 2011 Schedule A, Part III, line 15 - 16 - %.

Section D. Computation of Investment Income Percentage

Table with 3 columns: Description, Value, Percentage. Row 17: Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f)) - 17 - %. Row 18: Investment income percentage from 2011 Schedule A, Part III, line 17 - 18 - %.

- 19a 33 1/3% support tests - 2012. 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.
b 33 1/3% support tests - 2011. 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.
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions.

**Part IV** **Supplemental Information.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

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**Schedule of Contributors**

▶ Attach to Form 990, Form 990-EZ, or Form 990-PF.

**2012**

Name of the organization WESTERN MD HEALTH SYSTEM CORP. INC.	Employer identification number 52-0591531
---	--

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 foundation

Check 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, \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II.

**Special Rules**

For a section 501(c)(3) organization 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) and received from any one contributor, during the year, a contribution 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 a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, total contributions of more than \$1,000 for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals. Complete Parts I, II, and III.

For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions for use *exclusively* for religious, charitable, etc., purposes, but these contributions did not total to 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. Do not complete any of the parts unless the **General Rule** applies to this organization because it received nonexclusively religious, charitable, etc., contributions of \$5,000 or more during the year . . . . . ▶ \$ \_\_\_\_\_

**Caution.** An organization that is not covered by the General Rule and/or the Special Rules does not 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 Part I, line 2 of its Form 990-PF, to certify that it does not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

Name of organization WESTERN MD HEALTH SYSTEM CORP. INC.

Employer identification number  
52-0591531

**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	STATE OF MD DEPT HEALTH & MENTAL HYGIENE 301 W PRESTON STREET BALTIMORE, MD 21201	\$ 803,458.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
2	ALLEGANY COUNTY HEALTH DEPT BOX 1745, WILLOWBROOK ROAD CUMBERLAND, MD 21502	\$ 16,395.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
3	WESTERN MD INSURANCE COMPANY PO BOX 10233, 171 ELGIN AVE KY1-1002 GEORGE TOWN GRAND CAYMAN CAYMAN ISLANDS	\$ 15,252.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
4	CUMBERLAND YMCA 601 KELLY ROAD CUMBERLAND, MD 21502	\$ 6,995.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
5	WESTERN MARYLAND HEALTH FOUNDATION P.O. BOX 539 CUMBERLAND, MD 21501	\$ 57,398.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
		\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)

Name of organization WESTERN MD HEALTH SYSTEM CORP. INC.

Employer identification number

52-0591531

**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 WESTERN MD HEALTH SYSTEM CORP. INC.

Employer identification number  
52-0591531

**Part III** Exclusively religious, charitable, etc., individual contributions to section 501(c)(7), (8), or (10) organizations that total more than \$1,000 for the year. 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	
----- ----- -----		----- ----- -----	
-----	----- ----- -----	----- ----- -----	----- ----- -----
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
----- ----- -----		----- ----- -----	
-----	----- ----- -----	----- ----- -----	----- ----- -----
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
----- ----- -----		----- ----- -----	
-----	----- ----- -----	----- ----- -----	----- ----- -----
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
----- ----- -----		----- ----- -----	



SCHEDULE D (Form 990)

Supplemental Financial Statements

OMB No. 1545-0047

2012

Open to Public Inspection

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

Attach to Form 990. See separate instructions.

Department of the Treasury Internal Revenue Service

Name of the organization: WESTERN MD HEALTH SYSTEM CORP. INC. Employer identification number: 52-0591531

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows include: 1 Total number at end of year, 2 Aggregate contributions to (during year), 3 Aggregate 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... 6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes...

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply). 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. Table with 2 columns: Held at the End of the Tax Year. Rows include: a Total number of conservation easements, b Total acreage restricted by conservation easements, c Number of conservation easements on a certified historic structure included in (a), d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register. 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? 6 Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year. 7 Amount of expenses incurred in monitoring, inspecting, 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)? 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" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116 (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 SFAS 116 (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) Revenues included in 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 SFAS 116 (ASC 958) relating to these items: a Revenues included in Form 990, Part VIII, line 1. b Assets included in Form 990, Part X.

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

Schedule D (Form 990) 2012

**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 are a 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 programs
- 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" to 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?  Yes  No

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

**Part V Endowment Funds.** Complete if the organization answered "Yes" to 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	720,859.	1,567,441.	2,281,205.	2,244,200.	185,778.
b Contributions	40,000.	30,000.	94,675.	353,302.	2,058,879.
c Net investment earnings, gains, and losses	3,904.	-4,723.	-755.	12,294.	9,552.
d Grants or scholarships					
e Other expenditures for facilities and programs	445,335.	871,859.	807,684.	328,591.	10,009.
f Administrative expenses					
g End of year balance	319,428.	720,859.	1,567,441.	2,281,205.	2,244,200.

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

- a Board designated or quasi-endowment ▶ 33.4100 %
- b Permanent endowment ▶ 66.5900 %
- c Temporarily restricted endowment ▶ %

The percentages in 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)	X	
3a(ii)		X
3b		

b If "Yes" to 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.** 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		7,266,699.		7,266,699.
b Buildings		333,319,144.	56,026,610.	277,292,534.
c Leasehold improvements				
d Equipment		174,390,894.	132,866,264.	41,524,630.
e Other		8,007,102.	1,754,544.	6,252,558.
<b>Total.</b> Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				332,336,421.

**Part VII Investments - Other Securities.** 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)		
(I)		
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 12.)		

**Part VIII Investments - Program Related.** See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 13.)		

**Part IX Other Assets.** See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1) FUNDS ON DEPOSIT WITH TRUSTEE	15,475,656.
(2) OTHER ACCOUNTS RECEIVABLE	5,060,931.
(3) A/R FROM AFFILIATES	2,649,145.
(4) IMPREST FUND - W/C	1,040,673.
(5) INVESTMENT-BOARD DESIGNATED	5,464,824.
(6) RESTRICTED BY DONOR	333,547.
(7) INVESTMENT IN AFFILIATES	18,234,665.
(8) OTHER LONG TERM INVESTMENTS	41,345,261.
(9) UNDER BOND INDENTURE	3,997,025.
(10)	
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 15.)	93,601,727.

**Part X Other Liabilities.** See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2) FEDERAL INCOME TAXES	344.
(3) PAYABLES TO THIRD PARTY PROGRA	6,956,425.
(4) UNAMORTIZED BOND PREMIUM	9,527,579.
(5) EQUIPMENT LOAN PAYABLE	115,094.
(6) DEFERRED COMP	719,195.
(7) PROFESSIONAL INSURANCE	14,247,448.
(8) PENSION LIABILITY	39,047,154.
(9) MINORITY INTEREST PAYABLE	1,510,019.
(10) LOAN PAYABLE HAYSTACK	443,750.
(11)	
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 25.)	72,567,008.

2. FIN 48 (ASC 740) Footnote. 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 FIN 48 (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**

1	Total revenue, gains, and other support per audited financial statements		1	305,813,724.
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:			
a	Net unrealized gains on investments	2a	190,127.	
b	Donated services and use of facilities	2b		
c	Recoveries of prior year grants	2c		
d	Other (Describe in Part XIII.)	2d	-83,670,568.	
e	Add lines 2a through 2d	2e		-83,480,441.
3	Subtract line 2e from line 1	3		389,294,165.
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	-772,224.	
c	Add lines 4a and 4b	4c		-772,224.
5	Total revenue. Add lines 3 and 4c. (This must equal Form 990, Part I, line 12.)	5		388,521,941.

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

1	Total expenses and losses per audited financial statements		1	288,315,964.
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	-1,523,566.	
e	Add lines 2a through 2d	2e		-1,523,566.
3	Subtract line 2e from line 1	3		289,839,530.
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	83,670,568.	
c	Add lines 4a and 4b	4c		83,670,568.
5	Total expenses. Add lines 3 and 4c. (This must equal Form 990, Part I, line 18.)	5		373,510,098.

**Part XIII Supplemental Information**

Complete this part to 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 PAGE 5

**Part XIII** Supplemental Information (continued)

## ENDOWMENT FUNDS

## PART V LINE 4

INTENDED USES OF THE INCOME FROM THE PUGH ENDOWMENT FUND ARE TO PROVIDE FREE BEDS AND FREE SERVICE TO THOSE WHO MAY BECOME PATIENTS AND WHO THROUGH FINANCIAL INABILITY MAY BE UNABLE TO MAKE PROVISIONS FOR THEIR OWN MEDICAL AND/OR SURGICAL RELIEF.

ANDERSON FAMILY FOUNDATION ENDOWMENT FUND IS RESTRICTED FOR USE TO ADDRESS HOSPITAL ACQUIRED INFECTIONS.

## OTHER REVENUES INCLUDED ON FORM 990

## PART XII LINE 2D

INVESTMENT MANAGEMENT FEES (RE-CLASS TO EXPENSES)	\$	(134,753)
CONTRACTUAL ALLOW. & CHARITY (RE-CLASS TO EXPENSES)	\$	(83,535,815)
		-----
TOTAL	\$	(83,670,568)

## PART XII LINE 4B

RENTAL EXPENSES (RE-CLASS FROM EXPENSES):	\$	(772,224)
---	----	-----------

**Part XIII** Supplemental Information (continued)

OTHER EXPENSES INCLUDED ON FORM 990

PART XII LINE 2D

DISTRIBUTIONS TO NON-CONTROLLING INTERESTS:	\$ 2,295,790
RENTAL EXPENSES RECLASSIFIED TO REVENUE:	\$ (772,224)
	-----
TOTAL PART XII LINE 2D	\$ 1,523,566

PART XII LINE 4B

INVESTMENT MANAGEMENT FEES (RE-CLASS TO EXPENSES)	\$ 134,753
CONTRACTUAL ALLOW. & CHARITY (RE-CLASS TO EXPENSES)	\$ 83,535,815
	-----
TOTAL	\$ 83,670,568

LIABILITY FOR UNCERTAIN TAX POSITIONS (FIN 48 FOOTNOTE)

SCHEDULE D PART X

THE HEALTH SYSTEM AND SUBSTANTIALLY ALL OF ITS AFFILIATES ARE EXEMPT FROM FEDERAL INCOME TAX, EXCEPT FOR UNRELATED BUSINESS INCOME, WHICH IS NONEXISTENT, UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE. ACCORDINGLY, NO PROVISION FOR INCOME TAXES IS MADE IN THE CONSOLIDATED FINANCIAL STATEMENTS FOR THESE ENTITIES.

**SCHEDULE F  
(Form 990)**

**Statement of Activities Outside the United States**

OMB No. 1545-0047

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 14b, 15, or 16.  
▶ Attach to Form 990. ▶ See separate instructions.

**2012**

**Open to Public Inspection**

Department of the Treasury  
Internal Revenue Service

Name of the organization  
**WESTERN MD HEALTH SYSTEM CORP. INC.**

Employer identification number  
**52-0591531**

**Part I** **General Information on Activities Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 14b.

- 1 For grantmakers.** Does the organization maintain records to substantiate the amount of its grants and other assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?  Yes  No
- 2 For grantmakers.** Describe in Part V the organization's procedures for monitoring the use of its grants and other assistance outside the United States.

**3 Activities per Region.** (The following Part I, line 3 table can be duplicated if additional space is needed.)

(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in region	(d) Activities conducted in region (by type) (e.g., fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for and investments in region
(1) CENTRAL AMERICA/CARIBBEAN			PROGRAM SERVICES	INSURANCE	2,282,530.
(2)					
(3)					
(4)					
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					
(11)					
(12)					
(13)					
(14)					
(15)					
(16)					
(17)					
<b>3a</b> Sub-total, . . . . .					2,282,530.
<b>b</b> Total from continuation sheets to Part I . . . . .					
<b>c</b> Totals (add lines 3a and 3b)					2,282,530.

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

Schedule F (Form 990) 2012

**Part II** Grants and Other Assistance to Organizations or Entities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than \$5,000. Part II can be duplicated if additional space is needed.

1	(a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)
(1)									
(2)									
(3)									
(4)									
(5)									
(6)									
(7)									
(8)									
(9)									
(10)									
(11)									
(12)									
(13)									
(14)									
(15)									
(16)									

2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter. . . . .

3 Enter total number of other organizations or entities. . . . .



**Part III** Grants and Other Assistance to Individuals Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 16. Part III can be duplicated if additional space is needed.

(a) Type of grant or assistance	(b) Region	(c) Number of recipients	(d) Amount of cash grant	(e) Manner of cash disbursement	(f) Amount of non-cash assistance	(g) Description of non-cash assistance	(h) Method of valuation (book, FMV, appraisal, other)
(1)							
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							
(8)							
(9)							
(10)							
(11)							
(12)							
(13)							
(14)							
(15)							
(16)							
(17)							
(18)							

**Part IV Foreign Forms**

- 1 Was the organization a U.S. transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation (see Instructions for Form 926)* . . . . .  Yes  No
- 2 Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organization may be required to file Form 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts, and/or Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner (see Instructions for Forms 3520 and 3520-A)* . . . . .  Yes  No
- 3 Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations. (see Instructions for Form 5471)* . . . . .  Yes  No
- 4 Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see Instructions for Form 8621)* . . . . .  Yes  No
- 5 Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons With Respect To Certain Foreign Partnerships. (see Instructions for Form 8865)* . . . . .  Yes  No
- 6 Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see Instructions for Form 5713)* . . . . .  Yes  No

**Part V** Supplemental Information

Complete this part to provide the information required by Part I, line 2 (monitoring of funds); Part I, line 3, column (f) (accounting method; amounts of investments vs. expenditures per region); Part II, line 1 (accounting method); Part III (accounting method); and Part III, column (c) (estimated number of recipients), as applicable. Also complete this part to provide any additional information (see instructions).

**SCHEDULE H**  
**(Form 990)**

**Hospitals**

OMB No. 1545-0047

**2012**

**Open to Public Inspection**

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.  
▶ Attach to Form 990. ▶ See separate instructions.

Department of the Treasury  
Internal Revenue Service

<b>Name of the organization</b> WESTERN MD HEALTH SYSTEM CORP. INC.	<b>Employer identification number</b> 52-0591531
--	---

**Part I Financial Assistance and Certain Other Community Benefits at Cost**

	Yes	No
<b>1a</b> Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a . . . . .	X	
<b>1b</b> If "Yes," was it a written policy? . . . . .	X	
<b>2</b> 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		
<b>3</b> 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.		
<b>a</b> Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free care</i> ? 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 checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ %	X	
<b>b</b> Did the organization use FPG as a factor in determining eligibility for providing <i>discounted care</i> ? 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 checked="" type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %	X	
<b>c</b> If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria 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.		
<b>4</b> 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"? . . . . .	X	
<b>5a</b> Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	X	
<b>b</b> If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .	X	
<b>c</b> 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? . . . . .		X
<b>6a</b> Did the organization prepare a community benefit report during the tax year? . . . . .	X	
<b>b</b> If "Yes," did the organization make it available to the public? . . . . .	X	

**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
<b>a</b> Financial Assistance at cost (from Worksheet 1) . . . . .		22252	17,477,763.		17,477,763.	4.77
<b>b</b> Medicaid (from Worksheet 3, column a) . . . . .			8,526,176.	7,290,947.	1,235,229.	.34
<b>c</b> Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .						
<b>d</b> Total Financial Assistance and Means-Tested Government Programs . . . . .		22252	26,003,939.	7,290,947.	18,712,992.	5.11
<b>Other Benefits</b>						
<b>e</b> Community health improvement services and community benefit operations (from Worksheet 4) . . . . .		16014	414,313.	6,185.	408,128.	.11
<b>f</b> Health professions education (from Worksheet 5) . . . . .		100452	659,232.		659,232.	.18
<b>g</b> Subsidized health services (from Worksheet 6) . . . . .		88405	43,288,133.	18,831,125.	24,457,008.	6.67
<b>h</b> Research (from Worksheet 7)						
<b>i</b> Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .		4345	2,546,962.	29,667.	2,517,295.	.69
<b>j</b> Total Other Benefits . . . . .		209216	46,908,640.	18,866,977.	28,041,663.	7.65
<b>k</b> Total. Add lines 7d and 7j . . . . .		231468	72,912,579.	26,157,924.	46,754,655.	12.76

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

Schedule H (Form 990) 2012

**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						
2 Economic development						
3 Community support		580	118,092.		118,092.	.03
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building			113,378.		113,378.	.03
7 Community health improvement advocacy						
8 Workforce development			770,715.		770,715.	.21
9 Other						
10 Total		580	1,002,185.		1,002,185.	.27

**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? . . . . .	X	
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. . . . .		7,513,682.
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. . . . .		
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) . . . . .	140,952,759.
6 Enter Medicare allowable costs of care relating to payments on line 5 . . . . .	101,992,643.
7 Subtract line 6 from line 5. This is the surplus (or shortfall) . . . . .	38,960,116.
8 Describe in Part VI the extent to which any shortfall reported in 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 checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other	

**Section C. Collection Practices**

9a Did the organization have a written debt collection policy during the tax year? . . . . .	X	
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 . . . . .	X	

**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 CUMBERLAND PROPERT	RENTAL	100.0000		
2 JOHNSON HEIGHTS MED	RENTAL	83.95000		16.05000
3 MEMORIAL MED CTR SER	BUILDING MAINTENANCE	100.00000		
4 HAYSTACK IMAGING	HEALTHCARE	50.00000		50.00000
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? 1

Name, address, and primary website address

1 WESTERN MARYLAND REGIONAL MEDICAL CNT  
12500 WILLOWBROOK ROAD  
CUMBERLAND MD 21502

	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
<u>1</u>	X	X					X			1
<u>2</u>										
<u>3</u>										
<u>4</u>										
<u>5</u>										
<u>6</u>										
<u>7</u>										
<u>8</u>										
<u>9</u>										
<u>10</u>										
<u>11</u>										
<u>12</u>										

**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 facility reporting group WESTERN MARYLAND REGIONAL MEDICAL CEN

For single facility filers only: line number of hospital facility (from Schedule H, Part V, Section A) 1

		Yes	No
<b>Community Health Needs Assessment</b> (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	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 9 . . . . .	X	
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 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"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	<input checked="" type="checkbox"/> Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA: 20 <u>12</u>		
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted. . . . .	X	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .		X
5	Did the hospital facility make its CHNA report widely available to the public? . . . . .	X	
If "Yes," indicate how the CHNA report was made widely available (check all that apply):			
a	<input checked="" type="checkbox"/> Hospital facility's website		
b	<input checked="" type="checkbox"/> Available upon request from the hospital facility		
c	<input checked="" type="checkbox"/> Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date):		
a	<input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input checked="" type="checkbox"/> Execution of the implementation strategy		
c	<input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
d	<input checked="" type="checkbox"/> Participation in the execution of a community-wide plan		
e	<input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	<input checked="" type="checkbox"/> Prioritization of health needs in its community		
h	<input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input checked="" type="checkbox"/> Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs . . .	X	
8a	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)? . . . . .		X
8b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .		
8c	If "Yes" to line 8b, 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** WESTERN MARYLAND REGIONAL MEDICAL CEN

		Yes	No
Did the hospital facility have in place during the tax year a written financial assistance policy that:			
9	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care? . . . . .	X	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care: <u>2</u> <u>0</u> <u>0</u> % If "No," explain in Part VI the criteria the hospital facility used.	X	
11	Used FPG to determine eligibility for providing <i>discounted</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care: <u>3</u> <u>0</u> <u>0</u> % If "No," explain in Part VI the criteria the hospital facility used.	X	
12	Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply):	X	
a	<input checked="" type="checkbox"/> Income level		
b	<input checked="" type="checkbox"/> Asset level		
c	<input checked="" type="checkbox"/> Medical indigency		
d	<input checked="" type="checkbox"/> Insurance status		
e	<input checked="" type="checkbox"/> Uninsured discount		
f	<input checked="" type="checkbox"/> Medicaid/Medicare		
g	<input checked="" type="checkbox"/> State regulation		
h	<input type="checkbox"/> Other (describe in Part VI)		
13	Explained the method for applying for financial assistance? . . . . .	X	
14	Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply):	X	
a	<input checked="" type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input checked="" type="checkbox"/> The policy was attached to billing invoices		
c	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e	<input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available on request		
g	<input type="checkbox"/> Other (describe in Part VI)		

**Billing and Collections**

15	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 actions the hospital facility may take upon non-payment? . . . . .	X	
16	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 patient's eligibility under the facility's FAP:		
a	<input checked="" type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Part VI)		
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged:		X
a	<input checked="" type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Part VI)		



**Part V Facility Information (continued)** WESTERN MARYLAND REGIONAL MEDICAL CEN

18 Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply):

- a  Notified individuals of the financial assistance policy on admission
- b  Notified individuals of the financial assistance policy prior to discharge
- c  Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d  Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e  Other (describe in Part VI)

**Policy Relating to Emergency Medical Care**

19 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires 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? . . . . .

If "No," indicate why:

- a  The hospital facility did not provide care for any emergency medical conditions
- b  The hospital facility's policy was not in writing
- c  The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d  Other (describe in Part VI)

	Yes	No
19	X	

**Changes to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)**

20 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  The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b  The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c  The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d  Other (describe in Part VI)

	Yes	No

21 During the tax year, did the hospital facility charge any of its FAP-eligible individuals, 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? . . . . .

If "Yes," explain in Part VI.

	Yes	No
20		X

22 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? . . . . .

If "Yes," explain in Part VI.

	Yes	No
21	X	
22		

**Part V Facility Information** (continued)

**Section C. 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? 1

Name and address	Type of Facility (describe)
<b>1</b> FROSTBURG NURSING AND REHAB CT 48 TARN TERRACE FROSTBURG MD 21532	NURSING HOME
<b>2</b>	
<b>3</b>	
<b>4</b>	
<b>5</b>	
<b>6</b>	
<b>7</b>	
<b>8</b>	
<b>9</b>	
<b>10</b>	

**Part VI Supplemental Information**

Complete this part to provide the following information.

- 1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; Part V, Section A; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.
- 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 hospitals 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.
- 8 **Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 20d, 21, and 22.

SCHEDULE H, PART II COMMUNITY BUILDING ACTIVITIES

COMMUNITY SUPPORT - WMHS HAS IN PLACE A DISASTER READINESS PROGRAM. AS THE LARGEST HOSPITAL IN THE AREA AND THE LARGEST EMPLOYER, WMHS HAS INCURRED COSTS TO BE ABLE TO DEAL WITH A DISASTER IF THE NEED ARISES.

COALITION BUILDING - WMHS WORKS WITH COMMUNITY PARTNERS TO IMPROVE THE HEALTH IN THE COMMUNITY. EDUCATION PROGRAMS, SCREENINGS, AND VARIOUS OTHER EVENTS ARE CONDUCTED BY WMHS.

WORKFORCE DEVELOPMENT - WMHS IS ACTIVELY INVOLVED IN THE RECRUITMENT OF PHYSICIANS AND OTHER HEALTH PROFESSIONALS FOR THE FEDERALLY MEDICAL UNDERSERVED AREA THROUGH A COLLABORATION WITH REGIONAL PARTNERS.

SCHEDULE H, PART III BAD DEBT EXPENSE, LINE 4

BAD DEBT EXPENSES ARE FOR THOSE SERVICES RENDERED TO PATIENTS WHO HAVE BEEN DETERMINED TO HAVE THE FINANCIAL CAPACITY, BUT ARE UNWILLING TO PAY. THE TOTAL EXPENSE IS WRITE-OFFS, MADE AFTER FOLLOWING THE PROVISIONS OF

**Part VI** Supplemental Information

Complete this part to provide the following information.

- 1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; Part V, Section A; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.
- 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 hospitals 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.
- 8 **Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 20d, 21, and 22.

THE HOSPITAL'S COLLECTION AND WRITE-OFF POLICY, LESS BAD DEBT RECOVERIES.

AN ESTIMATE OF THE AMOUNT OF CHARITY CARE ATTRIBUTABLE TO PATIENTS WHO LIKELY WOULD QUALIFY FOR FINANCIAL ASSISTANCE UNDER THE HOSPITAL'S CHARITY CARE POLICY, IF SUFFICIENT INFORMATION WAS AVAILABLE TO MAKE A DETERMINATION OF THEIR ELIGIBILITY, IS BASED UPON A REVIEW OF RECORDS OF PATIENTS WHO HAD ACCOUNTS WRITTEN OFF.

WMHS HAS AN AUDIT OF ITS FINANCIAL STATEMENTS PREPARED. THE COMMUNITY BENEFITS AMOUNT SHOWN IN SCHEDULE H - PART I DO NOT INCLUDE BAD DEBT EXPENSE.

SCHEDULE H, PART III SECTION B MEDICARE, LINE 8  
MARYLAND'S REGULATORY SYSTEM CREATES A UNIQUE PROCESS FOR HOSPITAL PAYMENT THAT DIFFERS FROM THE REST OF THE NATION. THE HEALTH SERVICES COURT REVIEW COMMISSION ("HSCRC") DETERMINES PAYMENT THROUGH A RATE SETTING PROCESS AND ALL PAYORS, INCLUDING GOVERNMENTAL PAYORS, PAY THE SAME AMOUNT FOR THE SAME SERVICES DELIVERED AT THE SAME HOSPITAL.

**Part VI Supplemental Information**

Complete this part to provide the following information.

- 1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; Part V, Section A; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.
- 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 hospitals 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.
- 8 **Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 20d, 21, and 22.

MARYLAND'S UNIQUE ALL PAYOR SYSTEM INCLUDES A METHOD FOR REFERENCING UNCOMPENSATED CARE IN EACH PAYORS' RATES, WHICH DOES NOT ENABLE MARYLAND HOSPITALS TO BREAKOUT ANY OFFSETTING REVENUE RELATED TO UNCOMPENSATED CARE.

SCHEDULE H, PART III SECTION B MEDICARE  
LINE 8, COSTING METHODOLOGY  
COST TO CHARGE RATIO.

SCHEDULE H, PART III SECTION C COLLECTION PRACTICES, LINE 9B  
- THE WESTERN MARYLAND HEALTH SYSTEM PROVIDES CARE TO ALL PATIENTS SEEKING CARE, REGARDLESS OF THEIR ABILITY TO PAY. A PATIENT'S ABILITY TO PAY IS BASED ON A REVIEW WHICH IS DONE BY A MEMBER OF THE HEALTH SYSTEM'S BUSINESS OFFICE. THIS REVIEW ASSURES THAT ALL PATIENTS WHO SEEK EMERGENCY OR URGENT CARE RECEIVE THOSE SERVICES REGARDLESS OF THE PATIENT'S ABILITY TO PAY.

**Part VI Supplemental Information**

Complete this part to provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; Part V, Section A; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.
- 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.
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- 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 hospitals 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.
- 8 Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 20d, 21, and 22.

-IN ACCORDANCE WITH MARYLAND LAW, THE WESTERN MARYLAND HEALTH SYSTEM HAS A FINANCIAL ASSISTANCE POLICY AND PATIENTS MAY BE ENTITLED TO RECEIVE FINANCIAL ASSISTANCE WITH THE COST OF MEDICALLY NECESSARY HOSPITAL SERVICES IF THEY HAVE A LOW INCOME, DO NOT HAVE INSURANCE, OR THEIR INSURANCE DOES NOT COVER MEDICALLY-NECESSARY HOSPITAL CARE.

-THE WESTERN MARYLAND HEALTH SYSTEM MEETS OR EXCEEDS THE STATE'S LEGAL REQUIREMENT BY PROVIDING FINANCIAL ASSISTANCE BASED ON INCOME ESTABLISHED BY AND PUBLISHED BY THE FEDERAL GOVERNMENT EACH YEAR.

-THOSE PATIENTS THAT MEET THE FINANCIAL ASSISTANCE POLICY CRITERIA DESCRIBED ABOVE MAY RECEIVE ASSISTANCE FROM THE HEALTH SYSTEM IN PAYING THEIR BILL. IF A PATIENT BELIEVES HE HAS WRONGLY BEEN REFERRED TO A COLLECTION AGENCY, HE HAS THE RIGHT TO CONTACT THE HOSPITAL TO REQUEST ASSISTANCE.

**Part VI Supplemental Information**

Complete this part to provide the following information.

- 1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; Part V, Section A; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.
- 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 hospitals 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.
- 8 **Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 20d, 21, and 22.

## SCHEDULE H, PART V FACILITY INFORMATION

## COMMUNITY HEALTH NEEDS ASSESSMENT

LINE 1, DESCRIPTION

LINE 3, PERSONS CONSULTED

LINE 5C, AVAILABLE TO PUBLIC

UTILIZING THE ASSOCIATION OF COMMUNITY HEALTH IMPROVEMENT TOOLKIT, WMHS  
 COMPILED A LIST OF DESIRED DATA AND POTENTIAL SOURCES. RAW DATA FROM THE  
 OVER 40 SOURCES WAS COMPILED AND PUT ON A DASHBOARD, ALONG WITH  
 ADDITIONAL NARRATIVE FOR ANALYSIS. A COMPLETE LIST OF THE SOURCE LIST  
 CAN BE FOUND AT:  
[HTTP://WWW.ALLEGANYHEALTHPLANNINGCOALITION.COM/PDF/ALLEGANYCODATASOURCELIS](http://www.alleganyhealthplanningcoalition.com/pdf/alleganycodatasourcelis)  
 T07\_2011.PDF

MANAGEMENT TEAMS FROM BOTH THE WMHS AND THE ALLEGANY COUNTY HEALTH  
 DEPARTMENT REVIEWED THE RAW DATA, NARRATIVE, AND SOURCE LIST, TO  
 IDENTIFY MISSING ELEMENTS, RAISE QUESTIONS, AND BEGIN ANALYSIS. CRITERIA

**Part VI Supplemental Information**

Complete this part to provide the following information.

- 1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; Part V, Section A; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.
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TO IDENTIFY THE MOST SIGNIFICANT HEALTH ISSUES INCLUDED MAGNITUDE,  
SEVERITY COMPARED TO TARGET AND LEVEL OF NEED FOR VULNERABLE POPULATIONS.  
THE NEED FOR TRANSPORTATION WAS UNCLEAR BASED ON THE SECONDARY DATA, SO A  
SURVEY WAS CREATED AND DISTRIBUTED TO PATIENTS IN THE EMERGENCY  
DEPARTMENT, HEALTH DEPARTMENT CLINICS, AND TRI-STATE COMMUNITY HEALTH  
CENTER (FQHC). THE RESULTS OF THE SURVEY WERE ADDED TO THE DATA.

WMHS WORKED COLLABORATIVELY WITH THE HEALTH DEPARTMENT TO CREATE A  
PRESENTATION UTILIZING THE FOLLOWING FRAMEWORK:

- DEMOGRAPHICS- CHARACTERISTICS OF COMMUNITY AND PATIENTS
- LIFESTYLE CHOICES AND ENVIRONMENT
- HEALTH NEEDS & DISEASE STATUS
- ACCESS TO CARE (PAYORS & PROVIDERS, BARRIERS)

THE WMHS COMMUNITY ADVISORY BOARD HELPED CREATE A LIST OF COMMUNITY  
ORGANIZATIONS AND FOCUS GROUPS TO PARTICIPATE IN THE PROCESS. BETWEEN  
JULY AND OCTOBER 2011, THE WMHS DIRECTOR OF COMMUNITY HEALTH & WELLNESS



**Part VI Supplemental Information**

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AND A REPRESENTATIVE FROM THE ALLEGANY COUNTY HEALTH DEPARTMENT, SHARED THE PROCESS AND RESULTS OF COMMUNITY HEALTH NEEDS ASSESSMENT IN A PUBLIC FORUM AND IN SESSIONS WITH OVER 20 GROUPS INCLUDING:

- WMHS BOARD OF DIRECTORS & COMMUNITY ADVISORY BOARD
- WORKGROUP ON ACCESS TO CARE
- LOCAL DRUG AND ALCOHOL ABUSE COUNCIL
- LOCAL MANAGEMENT BOARD
- COMMUNITY WELLNESS COALITION
- WESTERN MARYLAND AHEC BOARD
- SCHOOL HEALTH COUNCIL
- MENTAL HEALTH ADVISORY BOARD
- BOARD OF HEALTH
- CUMBERLAND MINISTERIAL ASSN.
- COUNTY UNITED WAY
- CUMBERLAND HOUSING RENTAL ADVISORY BOARD
- NEIGHBORHOOD ADVISORY COMMISSION

**Part VI Supplemental Information**

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- COMMUNITY TRUST FOUNDATION

- ALLIED HEALTH STUDENTS AT ALLEGANY COLLEGE OF MARYLAND

AFTER PRESENTING THE DATA, PARTICIPANTS WERE ASKED TO IDENTIFY THE TOP 5 PRIORITIES IN RANK ORDER BASED ON A LIST OF 13 IDENTIFIED COMMUNITY HEALTH NEEDS, TAKING INTO CONSIDERATION:

- COMMUNITY CAPACITY TO ACT ON ISSUE (MONEY, POLITICS, CULTURE)
- FEASIBILITY OF HAVING MEASURABLE IMPACT ON ISSUE
- COMMUNITY RESOURCES ALREADY FOCUSED ON ISSUE
- ISSUE IS ROOT CAUSE OF OTHER PROBLEMS

THE OPTION TO IDENTIFY ADDITIONAL NEEDS WAS MADE AVAILABLE, BUT NONE WERE SUGGESTED. PARTICIPANTS WERE ALSO ASKED TO IDENTIFY POTENTIAL PARTNERS FOR ADDRESSING THESE NEEDS AND ANY KNOWN BARRIERS.

TO EXAMINE THE CONNECTION BETWEEN COMMUNITY HEALTH NEEDS, SOCIAL

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DETERMINANTS AND ECONOMIC DEVELOPMENT, MEETINGS WERE HELD WITH CITY AND COUNTY GOVERNMENT OFFICIALS AND REPRESENTATIVES IDENTIFIED BY COUNTY ADMINISTRATOR--FROM TRANSPORTATION, HOUSING, ECONOMIC DEVELOPMENT, PUBLIC SAFETY, AND GIS AS WELL AS WITH THE ALLEGANY COUNTY CHAMBER OF COMMERCE ECONOMIC DEVELOPMENT COMMITTEE.

A NOMINAL PROCESS WAS USED TO COMBINE THE VARIOUS RANKINGS FROM THE GROUPS INTO A FINAL DRAFT LIST OF PRIORITIES. TOBACCO USE, OBESITY, ACCESS TO CARE, EMOTIONAL & MENTAL HEALTH, AND SUBSTANCE ABUSE, TOP THE LIST OF PRIORITIES IDENTIFIED BY THE COMMUNITY.

IN AUGUST 2011, WMHS AND ACHD MET TO IDENTIFY THE PROPOSED MEMBERSHIP OF THE ALLEGANY COUNTY HEALTH PLANNING COALITION. BY OCTOBER, THE COALITION WAS CONFIRMED; MEMBERS MET WITH REPRESENTATIVES FROM SHIP, ESTABLISHED A VISION AND MISSION, AND APPROVED THE ORGANIZATIONAL STRUCTURE AND PRIORITY LIST. RATHER THAN CREATE DUPLICATIVE COMMITTEES, THE ALLEGANY COUNTY HEALTH PLANNING COALITION UTILIZES ESTABLISHED WORKGROUPS AND

**Part VI Supplemental Information**

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COMMITTEES ALREADY FUNCTIONING SUCCESSFULLY IN THE COMMUNITY.

COMMUNICATION IS MAINTAINED BETWEEN THESE ENTITIES AND THE COALITION EITHER BY COALITION MEMBERS WHO SERVE ON THE COMMITTEES OR DESIGNATED STAFF FROM WMHS OR ACHD. THE OPERATIONAL STRUCTURE OF THE COALITION IS PROVIDED BY TARGETED STAFF AT THE ALLEGANY COUNTY HEALTH DEPARTMENT AND THE WESTERN MARYLAND HEALTH SYSTEM.

ONCE THE PRIORITY NEEDS WERE FINALIZED, REPRESENTATIVES FROM WMHS AND ACHD RESEARCHED AND COMPILED EVIDENCE BASE PRACTICES, CURRENT PROGRAMS/SERVICES, AND POTENTIAL PARTNERSHIPS TO ADDRESS EACH PRIORITY. SERVICE LINE LEADERS AT WMHS WERE ASKED TO REVIEW THIS INFORMATION AND RECOMMEND STRATEGIES TO ADDRESS THE NEEDS. MEMBERS OF THE ALLEGANY COUNTY HEALTH PLANNING COALITION DID THE SAME. BASED ON THESE RECOMMENDATIONS, THE WMHS DIRECTOR OF COMMUNITY HEALTH AND WELLNESS AND THE ACHD HEALTH PLANNER, COMPILED A DRAFT ACTION PLAN FOR EACH PRIORITY NEED. THE DRAFT ACTION PLAN WAS REVIEWED AND EDITED BY WMHS SERVICE LINE LEADERS AND SYSTEM MANAGEMENT. IN ADDITION TO THE STRATEGIES IN THE LOCAL HEALTH

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ACTION PLAN, WMHS IDENTIFIED SEVERAL STRATEGIES TO INDEPENDENTLY ADDRESS THE NEEDS OF THE COMMUNITY.

BY DECEMBER 31, 2011, THE DATA SOURCES, ANALYSIS, IDENTIFIED COMMUNITY PRIORITIES AND IMPLEMENTATION PLAN WERE POSTED FOR THE PUBLIC AT: [HTTP://WWW.ALLEGANYHEALTHPLANNINGCOALITION.COM/](http://www.alleganyhealthplanningcoalition.com/) AND THE WMHS WEBSITE HAS A LINK TO THE SITE. FOR EACH OF THE PRIORITIES, THERE ARE OVERALL STRATEGIES, ACTIONS, IDENTIFIED PARTNERS, PROGRESS MEASURES AND A TIMEFRAME. THE WMHS BOARD OF DIRECTORS APPROVED THE PLAN OF ACTION ON JANUARY 26, 2012.

FROM JANUARY - APRIL 2012, COMMITMENTS TO THE ACTION PLAN AND SUGGESTED IMPROVEMENTS WERE OBTAINED FROM THE IDENTIFIED COMMUNITY ORGANIZATIONS AND WORKGROUPS. EITHER WMHS OR ACHD WAS IDENTIFIED AS THE LEAD AGENCY FOR ALL ACTIONS IN THE PLAN, AND LEAD AND SUPPORT SOURCES FOR ALL OF THE MEASURES WERE IDENTIFIED. PROGRESS ON THE STRATEGIC ACTIONS ARE ASSESSED AND REPORTED EVERY SIX MONTHS. THE LEAD AGENCIES REPORT TO THE COALITION,

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AND THEN THE MEMBERS RANK THE LEVEL OF PROGRESS MADE. THE AVERAGE RANKING IS USED AND DEMONSTRATED WITH SIGNAL STRENGTH SYMBOLS RANGING FROM 1 FOR NO PROGRESS TO 5 FOR EXCELLENT. JUSTIFICATION FOR THE PROGRESS ASSESSMENT CAN BE FOUND IN THE COALITION MINUTES.

THE LOCAL HEALTH ACTION PLAN HAS A BASELINE MEASURE AND 2014 GOAL FOR EACH OF THE 13 PRIORITIES. WHEN APPROPRIATE, THESE MEASURES WERE LINKED TO A SHIP MEASURE. A DASHBOARD THAT SHOWS THE STATUS BASED ON THE PERCENTAGE VARIANCE BETWEEN THE COUNTY BASELINE AND STATE BASELINE FOR EACH GOAL IS POSTED AT:

[HTTP://WWW.ALLEGANYHEALTHPLANNINGCOALITION.COM/](http://www.alleganyhealthplanningcoalition.com/) , UNDER LOCAL HEALTH ACTION PLAN. THIS DASHBOARD WILL BE UPDATED ANNUALLY.

INFORMATION ABOUT COMMUNITY HEALTH NEEDS WAS SOUGHT FROM THE ALLEGANY COUNTY HEALTH OFFICER AND VARIOUS PUBLIC HEALTH EXPERTS AT BOTH THE LOCAL HEALTH DEPARTMENT AND STATE HEALTH DEPARTMENT. AS NOTED IN THE PRIOR SECTION, THERE WERE NUMEROUS COMMUNITY ORGANIZATIONS CONSULTED IN THE

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PROCESS INCLUDING: LOCAL DRUG AND ALCOHOL ABUSE COUNCIL, COMMUNITY WELLNESS COALITION, MENTAL HEALTH ADVISORY BOARD, CUMBERLAND MINISTERIAL ASSOCIATION, CUMBERLAND HOUSING RENTAL ADVISORY BOARD, NEIGHBORHOOD ADVISORY COMMISSION, COMMUNITY TRUST FOUNDATION, AND ALLIED HEALTH STUDENTS AT ALLEGANY COLLEGE OF MARYLAND. MANY OF THESE ENTITIES ARE ACTUALLY GROUPS OF ORGANIZATIONS INVOLVING REPRESENTATIVES FROM DIVERSE SUB POPULATIONS WITHIN THE SERVICE AREA. FOR EXAMPLE, THE LOCAL DRUG AND ALCOHOL ABUSE COUNCIL INVOLVES REPRESENTATIVES FROM DEPARTMENT OF SOCIAL SERVICES, DEPARTMENT OF JUVENILE SERVICES, REGIONAL PAROLE & PROBATION, STATE'S ATTORNEY, DISTRICT PUBLIC DEFENDER-ALLEGANY AND GARRETT COUNTIES, COUNTY SHERIFF, ADMINISTRATIVE JUDGE OF THE CIRCUIT COURT, SUBSTANCE ABUSE PROVIDER, CONSUMER - ADDICTIONS TREATMENT, ACHD, MD STATE POLICE, BOARD OF EDUCATION, FROSTBURG STATE UNIVERSITY, ALLEGANY COLLEGE OF MD, ALLEGANY RADIO CORPORATION, SALVATION ARMY, CHESSIE FEDERAL CREDIT UNION, COMMUNITY UNITY IN ACTION, AFFECTED NEWBORN PROGRAM, YOUTH REPRESENTATIVE. INDIVIDUALS RANGING FROM ELECTED OFFICIALS TO RESIDENTS OF PUBLIC HOUSING HAVE BEEN ENGAGED IN THE PROCESS.

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IN ADDITION TO THE OVER 25 GROUPS WITH WHICH WE DISCUSSED THE COMMUNITY HEALTH NEEDS ASSESSMENT AND LOCAL HEALTH ACTION PLAN, WE ENGAGED THE MEMBERS OF THE ALLEGANY COUNTY HEALTH PLANNING COALITION. IN ADDITION TO WMHS AND ACHD, COALITION MEMBERS ARE FROM:

- ALLEGANY COUNTY PUBLIC SCHOOLS
- WESTERN MARYLAND AREA HEALTH EDUCATION CENTER
- COUNTY UNITED WAY
- TRI-STATE COMMUNITY HEALTH CENTER (FQHC)
- ALLEGANY COUNTY HUMAN RESOURCES DEVELOPMENT COMMISSION

IT IS THE ROLE OF THE ALLEGANY COUNTY HEALTH PLANNING COALITION TO COORDINATE THE STRATEGIC ACTIONS AMONG COMMUNITY GROUPS. COORDINATION INCLUDES MONITORING PROGRESS AND PROMOTING PUBLIC EDUCATION REGARDING COMMUNITY HEALTH STATUS. WMHS IS THE CO-LEADER OF THE COALITION.



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## SCHEDULE H, PART V FACILITY INFORMATION

## FINANCIAL ASSISTANCE POLICY, LINE 19

WMHS DETERMINES THE MAXIMUM AMOUNTS THAT CAN BE CHARGED TO THE FINANCIAL ASSISTANCE POLICY ("FAP") ELIGIBLE INDIVIDUALS BY USING SLIDING SCALE TABLES BASED UPON PERCENTAGES OF FEDERAL POVERTY LEVELS ("FPL").

## SCHEDULE H, PART V FACILITY INFORMATION

## COMMUNITY HEALTH NEEDS ASSESSMENT, LINE 6I

WMHS AND THE ALLEGANY COUNTY HEALTH DEPARTMENT CONDUCTED A COMMUNITY HEALTH ASSESSMENT IN THE SUMMER OF 2011. A LOCAL HEALTH ACTION PLAN WAS DEVELOPED TO ADDRESS THE TOP 13 PRIORITIES IDENTIFIED BY THE ASSESSMENT. RISING TO THE TOP OF THE LIST OF PRIORITIES WERE TOBACCO USE, OBESITY, ACCESS TO CARE, AND EMOTIONAL AND MENTAL HEALTH. THE WMHS BOARD APPROVED THE NEEDS ASSESSMENT AND ACTION PLAN ON JANUARY 26, 2012.

**Part VI** Supplemental Information

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- 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 hospitals 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.
- 8 Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 20d, 21, and 22.

## SCHEDULE H, PART V FACILITY INFORMATION

INDIVIDUALS ELIGIBLE FOR FINANCIAL ASSISTANCE, LINE 21

MARYLAND'S REGULATORY SYSTEM CREATES A UNIQUE PROCESS FOR HOSPITAL PAYMENT THAT DIFFERS FROM THE REST OF THE NATION. THE HEALTH SERVICES COST REVIEW COMMISSION (HSCRC) DETERMINES PAYMENT THROUGH A RATE SETTING PROCESS AND ALL PAYORS, INCLUDING GOVERNMENT PAYORS, PAY THE SAME AMOUNT FOR THE SAME SERVICES DELIVERED AT THE SAME HOSPITAL. IN ACCORDANCE WITH MARYLAND LAW, THE WESTERN MARYLAND HEALTH SYSTEM HAS A FINANCIAL ASSISTANCE POLICY AND PATIENTS MAY BE ENTITLED TO RECEIVE FINANCIAL ASSISTANCE WITH THE COST OF MEDICALLY NECESSARY HOSPITAL SERVICES IF THEY HAVE A LOW INCOME, DO NOT HAVE INSURANCE, OR THEIR INSURANCE DOES NOT COVER MEDICALLY-NECESSARY HOSPITAL CARE.

## SCHEDULE H, PART VI SUPPLEMENTAL INFORMATION

PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE, LINE 3

WESTERN MARYLAND HEALTH SYSTEM IS COMMITTED TO PROVIDING FINANCIAL ASSISTANCE TO PERSONS WHO HAVE HEALTH CARE NEEDS AND ARE UNINSURED,

**Part VI Supplemental Information**

Complete this part to provide the following information.

- 1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; Part V, Section A; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.
- 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 hospitals 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.
- 8 **Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 20d, 21, and 22.

UNDERINSURED, INELIGIBLE FOR A GOVERNMENT PROGRAM, OR OTHERWISE UNABLE TO PAY, FOR MEDICALLY NECESSARY CARE BASED ON THEIR INDIVIDUAL SITUATION. A PATIENT CAN QUALIFY FOR FINANCIAL ASSISTANCE EITHER THROUGH LACK OF SUFFICIENT INSURANCE OR FINANCIAL HARDSHIP DUE TO EXCESSIVE MEDICAL DEBT.

IT IS THE POLICY OF WMHS TO PROVIDE FINANCIAL ASSISTANCE BASED ON INDIGENCE OR EXCESSIVE MEDICAL DEBT FOR PATIENTS WHO MEET SPECIFIED FINANCIAL CRITERIA AND REQUEST SUCH ASSISTANCE.

WMHS WILL POST NOTICES OF AVAILABILITY AT PATIENT REGISTRATION SITES, ADMISSIONS, BUSINESS OFFICE AND AT THE EMERGENCY DEPARTMENT. NOTICE OF AVAILABILITY WILL ALSO BE SENT TO PATIENTS ON PATIENT BILL STATEMENTS. A PATIENT BILLING AND FINANCIAL ASSISTANCE INFORMATION SHEET WILL BE PROVIDED TO INPATIENTS VIA THE ADMISSION HANDBOOK GIVEN TO EVERY ADMITTED PATIENT. THIS IS PROVIDED TO PATIENTS PRIOR TO DISCHARGE AND IS ALSO AVAILABLE TO ALL PATIENTS UPON REQUEST.

**Part VI Supplemental Information**

Complete this part to provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; Part V, Section A; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.
- 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 hospitals 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.
- 8 Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 20d, 21, and 22.

SCHEDULE H, PART VI SUPPLEMENTAL INFORMATION

COMMUNITY INFORMATION, LINE 4

WMHS PROVIDES PRIMARY AND SECONDARY ACUTE CARE SERVICES FOR A SIX COUNTY REGION COVERING THE UPPER POTOMAC REGION OF MARYLAND, EASTERN WEST VIRGINIA AND SOUTHWESTERN PENNSYLVANIA. WITH ALMOST 87% OF THE PATIENTS RESIDING IN EITHER ALLEGANY COUNTY, MARYLAND (72.5%) OR MINERAL COUNTY, WEST VIRGINIA (13.94%), WMHS CONSIDERS THESE COMMUNITIES ITS COMMUNITY BENEFIT SERVICE AREA.

SCHEDULE H, PART VI SUPPLEMENTAL INFORMATION

PROMOTION OF COMMUNITY HEALTH, LINE 5

SEE COMMUNITY BENEFIT SUMMARY IN SCHEDULE O.

SCHEDULE H, PART VI SUPPLEMENTAL INFORMATION

AFFILIATED HEALTH CARE SYSTEM, LINE 6

-SETON REGIONAL HEALTH SYSTEM (EIN: 52-1333566), TAX EXEMPT UNDER 501(C)(3), PUBLIC CHARITY STATUS 11 TYPE I, CHARITABLE

**Part VI Supplemental Information**

Complete this part to provide the following information.

- 1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; Part V, Section A; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.
- 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 hospitals 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.
- 8 **Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 20d, 21, and 22.

-WMHS FOUNDATION (EIN: 35-2289841), TAX EXEMPT UNDER 501(C)(3), PUBLIC

CHARITY STATUS 11 TYPE I, FUNDRAISING

-MEMORIAL MEDICAL CENTER SERVICES (EIN: 52-1317704), C CORPORATION,

BUILDING MAINTENANCE

-WILLOWBROOK HC CONDO (37-1538510), C CORPORATION, CONDO MANAGEMENT

-HAYSTACK CONSOLIDATED (52-1335895), C CORPORATION, MEDICAL SERVICES

-WESTERN MD MEDICAL SUPPLY (26-0119241), C CORPORATION, MEDICAL SUPPLY

SALES

SCHEDULE H, PART VI SUPPLEMENTAL INFORMATION

STATE FILING OF COMMUNITY BENEFIT REPORT, LINE 7

WMHS FILES A COMMUNITY BENEFIT REPORT WITH THE MARYLAND HEALTH SERVICES

COST REVIEW COMMISSION (HSCRC).

**SCHEDULE J  
(Form 990)**

Department of the Treasury  
Internal Revenue Service

**Compensation Information**

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

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No. 1545-0047

**2012**

**Open to Public Inspection**

Name of the organization  
**WESTERN MD HEALTH SYSTEM CORP. INC.**

Employer identification number  
**52-0591531**

**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 in 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 type="checkbox"/> Discretionary spending account            | <input type="checkbox"/> Personal services (e.g., 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 . . . . .

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

**3** Indicate which, if any, of the following the filing 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 checked="" type="checkbox"/> Compensation committee              | <input type="checkbox"/> Written employment contract                                |
| <input checked="" type="checkbox"/> Independent compensation consultant | <input checked="" type="checkbox"/> Compensation survey or study                    |
| <input checked="" type="checkbox"/> Form 990 of other organizations     | <input checked="" type="checkbox"/> Approval by the board or compensation committee |

**4** During the year, did any person listed in 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? . . . . .
- b** Participate in, or receive payment from, a supplemental nonqualified retirement plan? . . . . .
- c** Participate in, or receive payment from, an equity-based compensation arrangement? . . . . .
- 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) and 501(c)(4) organizations must complete lines 5-9.**

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

- a** The organization? . . . . .
- b** Any related organization? . . . . .
- If "Yes" to line 5a or 5b, describe in Part III.

**6** For persons listed in 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? . . . . .
- b** Any related organization? . . . . .
- If "Yes" to line 6a or 6b, describe in Part III.

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

**8** Were any amounts reported in 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 . . . . .

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

	Yes	No
<b>1b</b>		
<b>2</b>		
<b>4a</b>		X
<b>4b</b>	X	
<b>4c</b>		X
<b>5a</b>		X
<b>5b</b>		X
<b>6a</b>		X
<b>6b</b>		X
<b>7</b>	X	
<b>8</b>		X
<b>9</b>		

**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 in 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 are not 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 reported as deferred in prior Form 990
	(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
1 BARRY P RONAN PRESIDENT/CEO	(i) 514,699. (ii) 0 (iii) 9,000.	169,273.	0	158,051.	22,599.	873,622.	0
2 KIMBERLY S REPAC VP, CFO	(i) 282,757. (ii) 0 (iii) 0	0	0	34,986.	20,186.	337,929.	0
3 NANCY D ADAMS VP, COO/CNE	(i) 206,883. (ii) 0 (iii) 0	0	0	28,269.	20,314.	255,466.	0
4 WILLIAM BYERS VP, CIO	(i) 146,460. (ii) 0 (iii) 0	0	0	20,086.	20,138.	186,684.	0
5 GEORGE C GARROW VP, CMO	(i) 219,987. (ii) 0 (iii) 8,000.	0	0	30,441.	16,590.	275,018.	0
6 STEVEN R SMITH MD PHYSICIAN ENTERPRISE DIRECTOR	(i) 310,558. (ii) 0 (iii) 0	0	0	38,825.	21,219.	370,602.	0
7 JO M WILSON VP, SUPPORT OPERATIONS	(i) 157,635. (ii) 0 (iii) 0	0	0	20,469.	19,141.	197,245.	0
8 KEVIN R TURLEY VP, SUPPORT OPERATIONS	(i) 152,009. (ii) 0 (iii) 0	0	0	20,888.	20,872.	193,769.	0
9 MICHELE R MARTZ VP, REVENUE CYCLE	(i) 136,645. (ii) 0 (iii) 0	0	0	18,668.	19,975.	175,288.	0
10 SUBRATO J DEB MD PHYSICIAN	(i) 554,924. (ii) 0 (iii) 0	0	0	65,167.	17,687.	637,778.	0
11 CHRISTOPHER B HAAS MD PHYSICIAN	(i) 532,001. (ii) 0 (iii) 0	64,000.	0	69,463.	9,119.	674,583.	0
12 MARK G NELSON MD PHYSICIAN	(i) 605,633. (ii) 0 (iii) 0	0	0	70,391.	17,687.	693,711.	0
13 GARY SCHMIDT MD PHYSICIAN	(i) 870,558. (ii) 0 (iii) 0	0	0	98,363.	19,901.	988,822.	0
14 DALE E WOLFORD MD PHYSICIAN	(i) 381,196. (ii) 0 (iii) 0	64,500.	0	54,277.	23,058.	523,031.	0
15 THOMAS C DOWDELL VP, COO	(i) 287,496. (ii) 0 (iii) 0	0	0	37,630.	20,425.	345,551.	0
16 JAMES M RAVER MD PHYSICIAN	(i) 198,960. (ii) 0 (iii) 0	0	0	20,793.	884.	220,637.	0

**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 in 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 are not 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 reported as deferred in prior Form 990
	(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
1 MARK J SULLIVAN VP, HUMAN RESOURCES	(i)	191,683.	0	25,455.	18,326.	235,464.	
	(ii)	0	0	0	0	0	
2	(i)						
	(ii)						
3	(i)						
	(ii)						
4	(i)						
	(ii)						
5	(i)						
	(ii)						
6	(i)						
	(ii)						
7	(i)						
	(ii)						
8	(i)						
	(ii)						
9	(i)						
	(ii)						
10	(i)						
	(ii)						
11	(i)						
	(ii)						
12	(i)						
	(ii)						
13	(i)						
	(ii)						
14	(i)						
	(ii)						
15	(i)						
	(ii)						
16	(i)						
	(ii)						



**Part III Supplemental Information**

Complete this part to 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.

SUPPLEMENTAL NON-QUALIFIED RETIREMENT PLAN

SCHEDULE J, LINE 4B AND LINE 7

BARRY P. RONAN RECEIVED A SERP PAYOUT IN THE AMOUNT OF \$169,273.

**SCHEDULE K  
(Form 990)**

Department of the Treasury  
Internal Revenue Service

Name of the organization

WESTERN MD HEALTH SYSTEM CORP. INC.

**Part I Bond Issues**

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pooled financing	
						Yes	No	Yes	No	Yes	No
A MHHEFA	52-0936091	5742172YA	11/14/2006	348,650,000.	REPLACE HOSPITAL FACILITY		X		X		X
B											
C											
D											

Employer identification number  
52-0591531

**Supplemental Information on Tax-Exempt Bonds**

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.

▶ Attach to Form 990. ▶ See separate instructions.

**Part II Proceeds**

	A	B	C	D
1 Amount of bonds retired . . . . .	16,170,000.			
2 Amount of bonds legally defeased . . . . .				
3 Total proceeds of issue . . . . .	360,637,993.			
4 Gross proceeds in reserve funds . . . . .	25,500,000.			
5 Capitalized interest from proceeds . . . . .	31,542,000.			
6 Proceeds in refunding escrows . . . . .	8,371,923.			
7 Issuance costs from proceeds . . . . .	2,823,891.			
8 Credit enhancement from proceeds . . . . .				
9 Working capital expenditures from proceeds . . . . .				
10 Capital expenditures from proceeds . . . . .	292,400,179.			
11 Other spent proceeds . . . . .				
12 Other unspent proceeds . . . . .				
13 Year of substantial completion . . . . .	2009			

	Yes	No	Yes	No	Yes	No	Yes	No
14 Were the bonds issued as part of a current refunding issue? . . . . .		X						
15 Were the bonds issued as part of an advance refunding issue? . . . . .	X							
16 Has the final allocation of proceeds been made? . . . . .	X							
17 Does the organization maintain adequate books and records to support the final allocation of proceeds? . . . . .	X							

**Part III Private Business Use**

	A	B	C	D
1 Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds? . . . . .	Yes	No	Yes	No
2 Are there any lease arrangements that may result in private business use of bond-financed property? . . . . .	X			
	X			

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

MHHEFA

OMB No. 1545-0047  
**2012**  
Open to Public Inspection

**Part III Private Business Use (Continued)**

MHHEFA

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
<b>3a</b> Are there any management or service contracts that may result in private business use of bond-financed property? . . . . .		X						
<b>b</b> If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property? . . . . .								
<b>c</b> Are there any research agreements that may result in private business use of bond-financed property? . . . . .		X						
<b>d</b> If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property? . . . . .								
<b>4</b> Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government . . . . .		%		%		%		%
<b>5</b> Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government . . . . .		%		%		%		%
<b>6</b> Total of lines 4 and 5 . . . . .		%		%		%		%
<b>7</b> Does the bond issue meet the private security or payment test? . . . . .	X							
<b>8a</b> Has there been a sale or disposition of any of the bond-financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued? . . . . .		X						
<b>b</b> If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of . . . . .		%		%		%		%
<b>c</b> If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2? . . . . .								
<b>9</b> Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2? . . . . .	X							

**Part IV Arbitrage**

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
<b>1</b> Has the issuer filed Form 8038-T? . . . . .		X						
<b>2</b> If "No" to line 1, did the following apply? . . . . .								
<b>a</b> Rebate not due yet? . . . . .	X							
<b>b</b> Exception to rebate? . . . . .	X							
<b>c</b> No rebate due? . . . . .								
If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed . . . . .								
<b>3</b> Is the bond issue a variable rate issue? . . . . .		X						
<b>4a</b> Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue? . . . . .		X						
<b>b</b> Name of provider . . . . .								
<b>c</b> Term of hedge . . . . .								
<b>d</b> Was the hedge superintegrated? . . . . .								
<b>e</b> Was the hedge terminated? . . . . .								



WESTERN MD HEALTH SYSTEM CORP. INC.

52-0591531

**Part VI** Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K (see instructions) (Continued)

PART IV ARBITRAGE, LINE 2C

REBATE COMPUTATION WAS PERFORMED NOVEMBER 15, 2010

**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. ▶ See separate instructions.

OMB No. 1545-0047

**2012**

**Open To Public Inspection**

Name of the organization  
**WESTERN MD HEALTH SYSTEM CORP. INC.**

Employer identification number  
**52-0591531**

**Part I Excess Benefit Transactions** (section 501(c)(3) and section 501(c)(4) 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)												
<b>Total</b> . . . . .						▶ \$ _____						

**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)				

**Part IV Business Transactions Involving Interested Persons.**

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) KIMBERLY S. REPAC	SR. VP CFO	20,181,640.	MD PHYSICIAN CARE		X
(2) BARRY P. RONAN	PRESIDENT & CEO	20,181,640.	MD PHYSICIAN CARE		X
(3)					
(4)					
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					

**Part V Supplemental Information**

Complete this part to provide additional information for responses to questions on Schedule L (see instructions).

BUSINESS TRANSACTIONS WITH INTERESTED PERSONS

SCHEDULE L PART IV

THESE TRANSACTIONS REPRESENT THE MONETARY VALUE OF BUSINESS TRANSACTIONS BETWEEN MD PHYSICIANS CARE AND WESTERN MARYLAND HEALTH SYSTEM.

**SCHEDULE O**  
(Form 990 or 990-EZ)

Department of the 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.

OMB No. 1545-0047

**2012**

**Open to Public  
Inspection**

Name of the organization

WESTERN MD HEALTH SYSTEM CORP. INC.

Employer identification number

52-0591531

OTHER PROGRAM SERVICES

PART III LINE 4D

EMERGENCY CARE WESTERN MARYLAND HEALTH SYSTEM (WMHS) OPERATES A  
24-HOUR/7-DAY-A-WEEK EMERGENCY ROOM WHICH SERVES AS THE DESIGNATED  
AREA-WIDE TRAUMA CENTER. 54,139 VISITS WERE REGISTERED IN THE EMERGENCY  
ROOM FOR THE YEAR ENDING JUNE 30, 2013.

OFFICERS AND TRUSTEES BUSINESS RELATIONSHIPS

PART VI, LINE 2

MICHELE R. MARTZ (KEY EMPLOYEE) SERVES ON THE BOARD OF THE UNITED WAY OF  
THE POTOMAC HIGHLANDS OF WHICH MARY BETH PIROLOZZI (TRUSTEE) IS THE  
EXECUTIVE DIRECTOR.

FORM 990 GOVERNING BODY REVIEW

PART VI, LINE 11

ON AN ANNUAL BASIS, THE EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS  
MEETS TO REVIEW IRS FORM 990 AND 990T BEFORE IT IS FILED WITH THE  
INTERNAL REVENUE SERVICE. THE CHIEF FINANCIAL OFFICER (CFO) PRESENTS AN  
EXECUTIVE SUMMARY AND THEN PROVIDES A DETAILED REVIEW AND EXPLANATION OF  
EACH FORM. ANY OPEN ITEMS OR QUESTIONS ARE RESOLVED PRIOR TO THE FILING  
OF THE FORM. SUBSEQUENT TO ITS REVIEW, THE EXECUTIVE COMMITTEE REPORTS  
BACK TO THE BOARD REGARDING ITS OVERSIGHT OF THE FORM 990. THE BOARD IS  
INFORMED THAT A COMPLETE COPY OF THE FORM 990 IS AVAILABLE ON THE BOARD'S  
SECURE PASSWORD PROTECTED WEB SITE.



Name of the organization WESTERN MD HEALTH SYSTEM CORP. INC.	Employer identification number 52-0591531
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## CONFLICT OF INTEREST POLICY COMPLIANCE

PART VI, LINE 12C

THE WMHS BOARD OF DIRECTORS MONITORS PROPOSED OR ONGOING TRANSACTIONS FOR CONFLICTS OF INTEREST AND ADDRESSES ANY POTENTIAL OR ACTUAL CONFLICTS. PURSUANT TO THE CONFLICTS OF INTEREST POLICY, AN ANNUAL CONFLICT QUESTIONNAIRE IS DISTRIBUTED TO ALL INTERESTED PERSONS. INTERESTED PERSONS ARE REQUIRED TO DISCLOSE REAL OR POTENTIAL CONFLICTS AT THE TIME WHEN SUCH CONFLICTS ARISE. WHEN ONE BECOMES AN INTERESTED PERSON AND ANNUALLY THEREAFTER, THEY ARE REQUIRED TO SIGN A STATEMENT AFFIRMING THAT THEY HAVE RECEIVED, READ, UNDERSTAND, AND AGREE TO COMPLY WITH THE POLICY. THE COMPLETED QUESTIONNAIRES ARE REVIEWED BY THE BOARD. THE PROCEDURES FOR ADDRESSING ANY CONFLICT INCLUDE THE CONFLICT BEING FULLY DISCLOSED AND DISCUSSED WITH THE INTERESTED PERSON ALONG WITH THE POTENTIAL RESOLUTIONS OF THE CONFLICT.

## PROCESS FOR DETERMINING COMPENSATION

PART VI, LINE 15A &amp; 15B

THE BOARD APPOINTS A COMPENSATION COMMITTEE OF INDEPENDENT DIRECTORS WITHOUT A CONFLICT OF INTEREST WITH RESPECT TO THE COMPENSATION ARRANGEMENT, RESPONSIBLE FOR SETTING REASONABLE COMPENSATION PACKAGES FOR EACH OFFICER OR KEY EMPLOYEE, INCLUDING THE CEO. THE COMMITTEE DEVELOPS, CONSISTENT WITH ORGANIZATIONAL PHILOSOPHY AND PRINCIPLE, THE ANNUAL PERFORMANCE GOALS AND CRITERIA TO BE USED IN DETERMINING MERIT INCREASES AND VARIABLE COMPENSATION. THE COMMITTEE ALSO HIRES AN INDEPENDENT COMPENSATION AND BENEFITS SPECIALIST TO REVIEW, ANALYZE AND PROVIDE BENCHMARKING DATA FOR THE TOTAL COMPENSATION AND BENEFITS PACKAGES.

Name of the organization

WESTERN MD HEALTH SYSTEM CORP. INC.

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COMPARABILITY DATA IS OBTAINED FOR SIMILAR JOB RESPONSIBILITIES. WRITTEN RECORDS OF ALL ANALYSES ARE MAINTAINED TO SUPPORT DECISIONS RELATED TO KEY EMPLOYEES AND OFFICERS.

## AVAILABILITY OF GOVERNING DOCUMENTS TO PUBLIC

## PART VI LINE 19

WHILE THE FEDERAL TAX LAWS DO NOT MANDATE THAT THE ORGANIZATION'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS BE MADE AVAILABLE FOR PUBLIC INSPECTION, THE ORGANIZATION MAKES ITS FINANCIAL STATEMENTS AVAILABLE UPON REQUEST. IN MARYLAND, THE ORGANIZATION'S FINANCIAL STATEMENTS ARE ALSO SUBMITTED TO THE HEALTH SERVICES COST REVIEW COMMISSION WHICH IS AVAILABLE FOR PUBLIC INSPECTION AS WELL.

## OTHER CHANGES IN NET ASSETS OR FUND BALANCES

## PART XI LINE 9

MINIMUM PENSION LIABILITY ADJUSTMENT	\$ 22,506,000
TRANSFER TO OPERATIONS	(760,411)
INCOME RELEASED FROM RESTRICTED	428,100
ASBESTOS	344,775
RESTRICTED DONATIONS	357,577
CARING FUND 6/30/2012	(32,709)
CARING FUND 6/30/2013	38,965
INCREASE IN PREM. RESTRICTED NET ASSETS	3,904
	-----
TOTAL	\$ 22,886,201

Name of the organization WESTERN MD HEALTH SYSTEM CORP. INC.	Employer identification number 52-0591531
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SCHEDULE H - COMMUNITY BENEFIT SUMMARY

MISSION STATEMENT: SUPERIOR CARE FOR ALL WE SERVE

VISION STATEMENT: DEMONSTRATED LEADER IN THE DELIVERY OF EXCEPTIONAL HEALTHCARE SERVICES THROUGHOUT THE TRI-STATE REGION

CORE VALUES - I2CARE:

- INTEGRITY: DEMONSTRATE HONESTY AND STRAIGHTFORWARDNESS IN ALL RELATIONSHIPS
- INNOVATION: PURSUE CONTINUOUS IMPROVEMENT THROUGH CREATIVE NEW IDEAS, METHODS, AND PRACTICES
- COMPASSION: SHOW CARE AND KINDNESS TO ALL WE SERVE AND WITH WHOM WE WORK
- ACCOUNTABILITY: ENSURE EFFECTIVE STEWARDSHIP OF THE COMMUNITY'S TRUST
- RESPECT: DEMONSTRATE A HIGH REGARD FOR THE DIGNITY AND WORTH OF EACH PERSON
- EXCELLENCE: STRIVE FOR SUPERIOR PERFORMANCE IN ALL THAT WE DO

COMMUNITY BENEFIT SUMMARY (CONTINUED)

WMHS OVERVIEW:

WESTERN MARYLAND HEALTH SYSTEM (WMHS) STRIVES TO ENHANCE PATIENT CARE WHILE REDUCING HEALTHCARE COSTS. IMPROVING THE OVERALL HEALTH OF THE COMMUNITY IS ANOTHER IMPORTANT GOAL OF WMHS.

Name of the organization

WESTERN MD HEALTH SYSTEM CORP. INC.

Employer identification number

52-0591531

THE WESTERN MARYLAND HEALTH SYSTEM OFFERS A COMPREHENSIVE RANGE OF GENERAL AND SPECIALTY SERVICES FOR MEDICAL, SURGICAL, PEDIATRIC, AND OBSTETRICAL PATIENTS. SOPHISTICATED DIAGNOSTIC TESTING SERVICES ARE PROVIDED AT THE HOSPITAL, AS WELL AS AT OFF-SITE, OUTPATIENT DIAGNOSTIC CENTERS. AN EXTENSIVE RANGE OF PHYSICIAN SPECIALTIES IS AVAILABLE, WITH OVER 200 PHYSICIANS PRACTICING IN THE COMMUNITY.

IN AN EFFORT TO FURTHER ENHANCE HEALTH CARE SERVICES, WMHS DEVELOPED 8 SPECIALTY CENTERS - BEHAVIORAL HEALTH, CARDIAC SERVICES, CHILDREN'S AND ADOLESCENTS' HEALTH, ONCOLOGY SERVICES, OUTPATIENT SERVICES, ORTHOPEDICS AND JOINT RECONSTRUCTION, TRAUMA SERVICES AND WOMEN'S HEALTH.

EMERGENCY SERVICES ARE PROVIDED AT THE WESTERN MARYLAND REGIONAL MEDICAL CENTER, WHICH SERVES AS THE DESIGNATED AREA WIDE TRAUMA CENTER IN THE MARYLAND INSTITUTE FOR EMERGENCY MEDICAL SERVICES SYSTEMS (MIEMSS). CRITICAL CARE SERVICES, AS WELL AS SURGICAL SERVICES, A TRAUMA PROGRAM AND COMPREHENSIVE INPATIENT REHABILITATION UNIT.

THE HEART INSTITUTE AT WMHS PROVIDES A COMPREHENSIVE RANGE OF CARDIAC DIAGNOSTIC AND TREATMENT SERVICES, INCLUDING OPEN-HEART SURGERY AND INTERVENTIONAL CARDIOLOGY (ANGIOPLASTY).

A FULL RANGE OF CANCER SERVICES IS AVAILABLE THROUGH THE SCHWAB FAMILY REGIONAL CANCER CENTER, WHICH IS ACCREDITED BY THE AMERICAN COLLEGE OF SURGEONS. INCLUDED IN THE WMHS PROGRAM ARE DIAGNOSTIC TESTING; A WIDE

Name of the organization

WESTERN MD HEALTH SYSTEM CORP. INC.

Employer identification number

52-0591531

ARRAY OF TREATMENT SERVICES, INCLUDING RADIATION ONCOLOGY; HOSPICE SERVICES, AND MANY PATIENT SUPPORT SERVICES.

LONG-TERM CARE SERVICES ARE PROVIDED THROUGH THE FROSTBURG NURSING AND REHABILITATION CENTER, AN 88-BED NURSING HOME.

IMPROVING THE COMMUNITY'S OVERALL HEALTH IS AN IMPORTANT ASPECT OF WMHS. HEALTH PROMOTION ACTIVITIES INCLUDE HEALTH SCREENINGS, CLASSES ON ADOPTING HEALTHY LIFESTYLES, AND EXERCISE PROGRAMS. SPECIAL ACTIVITIES FOR CHILDREN AND SENIOR CITIZENS, AS WELL AS OTHER AT-RISK POPULATIONS, ARE OFFERED THROUGHOUT THE YEAR.

WMHS STRATEGIC GOALS FY2012 - FY2014

INCREASE PHYSICIAN COLLABORATION:

- SELECT AND ON-BOARD CHIEF MEDICAL OFFICER
- DEVELOP PHYSICIAN INTEGRATION WORKING GROUP
- DEVELOP FINANCIAL ALIGNMENT PILOT PROGRAM
- IMPLEMENT COMPUTERIZED PHYSICIAN ORDER ENTRY/ELECTRONIC HEALTH RECORDS (CPOE/HER)

REDESIGN CARE DELIVERY:

- INCREASE PRIMARY CARE PHYSICIAN (PCP) NETWORK AND REACH
- DEVELOP ACUTE CARE PATHWAYS AND PROTOCOLS
- EXPAND CASE MANAGEMENT TO COMPREHENSIVE DISEASE MANAGEMENT
- ENHANCE CARE TRANSITION PROCESS TO POST-ACUTE CARE PROVIDERS

Name of the organization

WESTERN MD HEALTH SYSTEM CORP. INC.

Employer identification number

52-0591531

## ENGAGE PATIENTS AND IMPROVE ACCESS TO CARE:

- IDENTIFY AND ACT UPON MISSION-CRITICAL ASPECTS OF COMMUNITY HEALTH AND WELLNESS THAT WMHS CAN BEST INFLUENCE
- EXPAND EMPLOYEE WELLNESS TO IMPROVE THE HEALTH STATUS OF WMHS WORKFORCE AND ESTABLISH WMHS AS A ROLE MODEL FOR HEALTHY LIVING IN THE COMMUNITY
- LAUNCH A COMPREHENSIVE MISSION-FOCUSED CAMPAIGN TO COMMUNICATE HEALTH AND WELLNESS INFORMATION AND ACTIVELY ENGAGE AT-RISK POPULATIONS IN-HEALTHY LIVING

## FOCUS ON BUSINESS MODEL DISCIPLINE:

- DEFINE GEOGRAPHIC AND PRODUCT/SERVICE MIX
- DEVELOP AND IMPLEMENT IT INFRASTRUCTURE TO ALIGN WITH STRATEGIC INITIATIVES
- IMPROVE THE WMHS VALUE PROPOSITION - REDUCE COST STRUCTURE
- IMPROVE THE WMHS VALUE PROPOSITION - INCREASE CLINICAL QUALITY
- DEVELOP WORKFORCE LEADERSHIP TO IMPROVE PATIENT EXPERIENCE

## COMMUNITY HEALTH ASSESSMENT

THE WESTERN MARYLAND HEALTH SYSTEM IS COMMITTED TO IMPROVING THE HEALTH OF THE CITIZENS WE SERVE AND IS A FOUNDING MEMBER OF THE ALLEGANY COUNTY HEALTH PLANNING COALITION. THIS IS A GROUP OF COMMUNITY PARTNERS WORKING TOGETHER FOR A HEALTHIER COMMUNITY.

WMHS AND THE ALLEGANY COUNTY HEALTH DEPARTMENT CONDUCTED A COMMUNITY HEALTH ASSESSMENT IN THE SUMMER OF 2011. A LOCAL HEALTH ACTION PLAN WAS DEVELOPED TO ADDRESS THE TOP 13 PRIORITIES IDENTIFIED BY THE ASSESSMENT.

Name of the organization WESTERN MD HEALTH SYSTEM CORP. INC.	Employer identification number 52-0591531
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RISING TO THE TOP OF THE LIST OF PRIORITIES WERE TOBACCO USE, OBESITY, ACCESS TO CARE, AND EMOTIONAL AND MENTAL HEALTH.

THE STATISTICAL INFORMATION COMPILED ABOUT THE HEALTH STATUS OF THE COUNTY AND A SUMMARY OF COMMUNITY HEALTH NEEDS ARE AVAILABLE AT WWW.ALLEGANYHEALTHPLANNINGCOALITION.COM. ACTIONS TO ADDRESS EACH OF THE TOP 13 PRIORITIES ARE ON THE SITE AS WELL.

"THESE ACTION PLANS ARE DESIGNED TO ENGAGE EVERYONE IN THE COMMUNITY, INCLUDING BUSINESSES, CHURCHES, CIVIC ORGANIZATIONS, AND INDIVIDUALS," EXPLAINS NANCY FORLIFER, DIRECTOR OF COMMUNITY HEALTH AND WELLNESS AT WMHS. "THE STRATEGIES RANGE FROM EDUCATION ABOUT MAKING HEALTHIER CHOICES ON A PERSONAL LEVEL TO IMPLEMENTATION OF PUBLIC POLICY CHANGES THAT PROMOTE BETTER HEALTH."

THE COALITION MEETS MONTHLY AND THE PUBLIC IS WELCOME TO ATTEND THE MEETINGS, WHICH ARE HELD AT THE ALLEGANY COUNTY HEALTH DEPARTMENT ON WILLOWBROOK ROAD. THE MEETING SCHEDULE AND THE MINUTES FROM THE MEETINGS ARE AVAILABLE ON THE WEBSITE.

MEMBERS OF THE ALLEGANY COUNTY HEALTH PLANNING COALITION INCLUDE THE ALLEGANY COUNTY HEALTH DEPARTMENT, WMHS, ALLEGANY COUNTY BOARD OF EDUCATION, COUNTY UNITED WAY, TRI-STATE COMMUNITY HEALTH CENTER, AND THE WESTERN MARYLAND AREA HEALTH EDUCATION CENTER.

Name of the organization

WESTERN MD HEALTH SYSTEM CORP. INC.

Employer identification number

52-0591531

ATTACHMENT 1FORM 990, PART III, LINE 4D - OTHER PROGRAM SERVICES

<u>DESCRIPTION</u>	<u>GRANTS</u>	<u>EXPENSES</u>	<u>REVENUE</u>
EMERGENCY CARE		11,822,219.	14,115,074.
TOTALS		<u>11,822,219.</u>	<u>14,115,074.</u>

ATTACHMENT 2990, PART VII- COMPENSATION OF THE FIVE HIGHEST PAID IND. CONTRACTORS

<u>NAME AND ADDRESS</u>	<u>DESCRIPTION OF SERVICES</u>	<u>COMPENSATION</u>
HAYSTACK IMAGING PO BOX 539 CUMBERLAND, MD 21502	DIAGNOSTIC	6,332,489.
PHARMACARE 3 COMMERCE DRIVE CUMBERLAND, MD 21502	PHARMACY	2,603,232.
CUMBERLAND ANESTHESIA PO BOX 1571 CUMBERLAND, MD 21502	ANESTHESIA	1,546,450.
ARAMARK HEALTHCARE 25271 NETWORK PLACE CHICAGO, IL 60673	DIETARY	1,519,392.
PREMIER PO BOX 668800 CHARLOTTE, NC 28266	CONSULTING	1,256,728.



**SCHEDULE R  
(Form 990)**

Department of the Treasury  
Internal Revenue Service

**2012**

**Open to Public  
Inspection**

**Related Organizations and Unrelated Partnerships**

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.  
▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization

WESTERN MD HEALTH SYSTEM CORP. INC.

Employer identification number  
52-0591531

**Part I Identification of Disregarded Entities** (Complete if the organization answered "Yes" to 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" to 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) SETON REGIONAL HEALTH SYSTEM 900 SETON DRIVE CUMBERLAND, MD 21502 52-1333566	CHARITABLE	MD	501 ( C ) ( 3 )	I-O	N/A		X
(2) CUMBERLAND PROPERTIES, INC PO BOX 539 CUMBERLAND, MD 21501 52-1522252	RENTAL	MD	501 ( C ) ( 3 )	3	N/A		X
(3) WHS FOUNDATION PO BOX 539 CUMBERLAND, MD 21501 35-2289841	FUNDRAISING	MD	501 ( C ) ( 3 )	I-O	N/A		X
(4) WILLOWBROOK HEALTH SERVICES PO BOX 539 CUMBERLAND, MD 21501 52-2005140	HLTH CARE	MD	501 ( C ) ( 3 )	3	N/A		X
(5) -----							
(6) -----							
(7) -----							

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

Schedule R (Form 990) 2012

**Part III Identification of Related Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" to 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) JOHNSON HEIGHTS, 52-1775175 625 KENT AVENUE	RENTAL	MD	N/A	RELATED	-24,428.	1,495,182.		X	0	X		84.0000
(2) HAYSTACK IMAGING 04-3783141 900 SETON DRIVE	HLTH CARE	MD	N/A	RELATED	3,546,110.	2,013,007.		X	0	X		50.0000
(3) -----												
(4) -----												
(5) -----												
(6) -----												
(7) -----												

**Part IV Identification of Related Organizations Taxable as a Corporation or Trust** (Complete if the organization answered "Yes" to 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) MEMORIAL MED CTR SVCS PO BOX 539 CUMBERLAND, MD 21501	BLDG MAINT	MD	N/A	C CORP	-3,215.	609,954.	100.0000		X
(2) WILLOWBROOK HC CONDO PO BOX 539 CUMBERLAND, MD 21501	CONDO MGMT	MD	N/A	C CORP	171.	79,214.	53.0000		
(3) HAYSTACK CONSOLIDATED 900 SETON DRIVE CUMBERLAND, MD 21504	MED SVCS	MD	N/A	C CORP	0	0			
(4) WESTERN MD MED SUPPLY 11110 MEDICAL CAMPUS RD HAGERSTOWN, MD 21742	MED SALES	MD	N/A	LLC	-38,889.	433,453.	33.0000		
(5) -----									
(6) -----									
(7) -----									

**Part V Transactions With Related Organizations** (Complete if the organization answered "Yes" to 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.

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?

	Yes	No
a Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity . . . . .		X
b Gift, grant, or capital contribution to related organization(s) . . . . .		X
c Gift, grant, or capital contribution from related organization(s) . . . . .	X	
d Loans or loan guarantees to or for related organization(s) . . . . .	X	
e Loans or loan guarantees by related organization(s) . . . . .	X	
f Dividends from related organization(s) . . . . .		
g Sale of assets to related organization(s) . . . . .		X
h Purchase of assets from related organization(s) . . . . .		X
i Exchange of assets with related organization(s) . . . . .		X
j Lease of facilities, equipment, or other assets to related organization(s) . . . . .	X	
k Lease of facilities, equipment, or other assets from related organization(s) . . . . .	X	
l Performance of services or membership or fundraising solicitations for related organization(s) . . . . .	X	
m Performance of services or membership or fundraising solicitations by related organization(s) . . . . .		X
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s) . . . . .	X	
o Sharing of paid employees with related organization(s) . . . . .	X	
p Reimbursement paid to related organization(s) for expenses . . . . .		X
q Reimbursement paid by related organization(s) for expenses . . . . .	X	
r Other transfer of cash or property to related organization(s) . . . . .		X
s Other transfer of cash or property from related organization(s) . . . . .	X	

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 other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1)	JOHNSON SEIGHTS MEDICAL BLDG PARTNERSHIP	J	328,034.	MARKET
(2)	HAYSTACK IMAGING SERVICES, LLC	P	5,175,790.	MARKET
(3)	MEMORIAL MEDICAL CENTER SERVICES	P	46,438.	MARKET
(4)	WILLOWBROOK HEALTH CENTER CONDOMINIUM	P	318,904.	MARKET
(5)	WMHS FOUNDATION INC.	C	714,698.	MARKET
(6)	WESTERN MARYLAND MEDICAL SUPPLY	P	874,188.	MARKET

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.

Table with 16 rows and 11 columns: (a) Name, address, and EIN of entity; (b) Primary activity; (c) Legal domicile; (d) Predominant income; (e) Are all partners 501(c)(3) organizations?; (f) Share of total income; (g) Share of end-of-year assets; (h) Disproportionate allocations?; (i) Code V-UBI amount; (j) General or managing partner?; (k) Percentage ownership.

**Part VII** **Supplemental Information**

Complete this part to provide additional information for responses to questions on Schedule R (see instructions).

---

Return by a U.S. Transferor of Property to a Foreign Corporation

Attach to your income tax return for the year of the transfer or distribution.

Part I U.S. Transferor Information (see instructions)

Name of transferor: Western Maryland Health System; Identifying number (see instructions): 52-1971675

- 1 If the transferor was a corporation, complete questions 1a through 1d.
a If the transfer was a section 361(a) or (b) transfer, was the transferor controlled (under section 368(c)) by 5 or fewer domestic corporations?
b Did the transferor remain in existence after the transfer? If not, list the controlling shareholder(s) and their identifying number(s):

Table with 2 columns: Controlling shareholder, Identifying number. Multiple empty rows for data entry.

- c If the transferor was a member of an affiliated group filing a consolidated return, was it the parent corporation? If not, list the name and employer identification number (EIN) of the parent corporation:

Name of parent corporation; EIN of parent corporation

- d Have basis adjustments under section 367(a)(5) been made?

- 2 If the transferor was a partner in a partnership that was the actual transferor (but is not treated as such under section 367), complete questions 2a through 2d.

- a List the name and EIN of the transferor's partnership:

Name of partnership; EIN of partnership

- b Did the partner pick up its pro rata share of gain on the transfer of partnership assets?
c Is the partner disposing of its entire interest in the partnership?
d Is the partner disposing of an interest in a limited partnership that is regularly traded on an established securities market?

Part II Transferee Foreign Corporation Information (see instructions)

3 Name of transferee (foreign corporation): Western Maryland Insurance Company, Ltd.; 4 Identifying number, if any: 98-0446260

5 Address (including country): P.O. Box 10233, Grand Cayman Cayman Islands, KY1-1002

6 Country code of country of incorporation or organization (see instructions): CJ

7 Foreign law characterization (see instructions): Corporation

- 8 Is the transferee foreign corporation a controlled foreign corporation?

**Part III** Information Regarding Transfer of Property (see instructions)

Type of property	(a) Date of transfer	(b) Description of property	(c) Fair market value on date of transfer	(d) Cost or other basis	(e) Gain recognized on transfer
Cash	Various		2,462,555		
Stock and securities					
Installment obligations, account receivables or similar property					
Foreign currency or other property denominated in foreign currency					
Inventory					
Assets subject to depreciation recapture (see Temp. Regs. sec. 1.367(a)-4T(b))					
Tangible property used in trade or business not listed under another category					
Intangible property					
Property to be leased (as described in final and temp. Regs. sec. 1.367(a)-4(c))					
Property to be sold (as described in Temp. Regs. sec. 1.367(a)-4T(d))					
Transfers of oil and gas working interests (as described in Temp. Regs. sec. 1.367(a)-4T(e))					
Other property					

Supplemental Information Required To Be Reported (see instructions):  
See Statement

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**Part IV** Additional Information Regarding Transfer of Property (see instructions)

9 Enter the transferor's interest in the foreign transferee corporation before and after the transfer:

(a) Before 100.000% (b) After 100.000%

10 Type of nonrecognition transaction (see instructions) ▶ IRC SEC 351

11 Indicate whether any transfer reported in Part III is subject to any of the following:

- a Gain recognition under section 904(f)(3) . . . . .  Yes  No
- b Gain recognition under section 904(f)(5)(F) . . . . .  Yes  No
- c Recapture under section 1503(d) . . . . .  Yes  No
- d Exchange gain under section 987 . . . . .  Yes  No

12 Did this transfer result from a change in the classification of the transferee to that of a foreign corporation?  Yes  No

13 Indicate whether the transferor was required to recognize income under final and temporary Regulations sections 1.367(a)-4 through 1.367(a)-6 for any of the following:

- a Tainted property . . . . .  Yes  No
- b Depreciation recapture . . . . .  Yes  No
- c Branch loss recapture . . . . .  Yes  No
- d Any other income recognition provision contained in the above-referenced regulations . . . . .  Yes  No

14 Did the transferor transfer assets which qualify for the trade or business exception under section 367(a)(3)?  Yes  No

15a Did the transferor transfer foreign goodwill or going concern value as defined in Temporary Regulations section 1.367(a)-1T(d)(5)(iii)?  Yes  No

b If the answer to line 15a is "Yes," enter the amount of foreign goodwill or going concern value transferred ▶ \$ \_\_\_\_\_

16 Was cash the only property transferred?  Yes  No

17a Was intangible property (within the meaning of section 936(h)(3)(B)) transferred as a result of the transaction?  Yes  No

b If "Yes," describe the nature of the rights to the intangible property that was transferred as a result of the transaction:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



Western Maryland Health System  
EIN: 52-1971675

Attachment To Form 926, Part III

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Following is additional information as requested by Regulations §1.6038B-1(c) and Temporary Regulations § 1.6038B-1T(c)(5) and 1.6038B-1T(d).

***Regulation §1.6038B-1T(c)(1): Transferor:***

Western Maryland Health System  
EIN: 52-1971675  
12400 Willowbrook Road, P.O. Box 539  
Cumberland, MD 21502

***Regulation §1.6038B-1T(c)(2): Transferee:***

- (i.): Western Maryland Insurance Company, Ltd.  
P.O. Box 10233  
Grand Cayman KY1-1002, Cayman Islands

Incorporated in the Cayman Islands

- (ii.): Insurance premiums received from related parties considered to be deemed contributions to capital of the above corporation occurred on various dates throughout the year. The total amount of these deemed contributions was \$2,462,555.

***Regulation §1.6038B-1T(c)(3): Consideration received:***

Nothing was received in consideration in exchange for deemed cash contributions to capital of \$2,462,555. The taxpayer owned 100% of the stock of the transferee corporation both before and after these transfers.

***Regulation §1.6038B-1T(c)(4): Property Transferred:***

Cash in the amount of \$2,462,555 (US Dollars)

***Regulation §1.6038B-1T(c)(5): Transfer of foreign branch with previously deducted losses:***

Not applicable

***Regulation §1.6038B-1T(c)(6): Application of IRC §367(u)(5):***

Not applicable

# Information Return of U.S. Persons With Respect To Certain Foreign Corporations

▶ For more information about Form 5471, see [www.irs.gov/form5471](http://www.irs.gov/form5471)

Information furnished for the foreign corporation's annual accounting period (tax year required by section 898) (see instructions) beginning 7/1/2012, and ending 6/30/2013

Attachment Sequence No. **121**

Name of person filing this return <b>Western Maryland Health System</b>	A Identifying number <b>52-1971675</b>
Number, street, and room or suite no. (or P.O. box number if mail is not delivered to street address) <b>12400 Willowbrook Road, P.O. Box 539</b>	B Category of filer (See instructions. Check applicable box(es)): 1 (repeated) 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input checked="" type="checkbox"/> 5 <input checked="" type="checkbox"/>
City or town, state, and ZIP code <b>Cumberland MD 21502</b>	C Enter the total percentage of the foreign corporation's voting stock you owned at the end of its annual accounting period <b>100.00%</b>
Filer's tax year beginning <b>7/1/2012</b> , and ending <b>6/30/2013</b>	

D Person(s) on whose behalf this information return is filed:

(1) Name	(2) Address	(3) Identifying number	(4) Check applicable box(es)		
			Shareholder	Officer	Director

**Important:** Fill in all applicable lines and schedules. All information must be in English. All amounts must be stated in U.S. dollars unless otherwise indicated.

1a Name and address of foreign corporation  <b>Name Western Maryland Insurance Company, Ltd. Address P.O. Box 10233 State Zip KY1-1002 Country Cayman Islands City Grand Cayman</b>	b(1) Employer identification number, if any <b>98-0446260</b>
	b(2) Reference ID number (see instructions)
	c Country under whose laws incorporated <b>Cayman Islands</b>
d Date of incorporation <b>12/14/2004</b>	e Principal place of business <b>Cayman Islands</b>
f Principal business activity code number <b>525190</b>	g Principal business activity <b>Other Insurance Funds</b>
	h Functional currency <b>US Dollar</b>

2 Provide the following information for the foreign corporation's accounting period stated above.

a Name, address, and identifying number of branch office or agent (if any) in the United States  Name <b>N/A</b> ID Num Address City ST Zip	b If a U.S. income tax return was filed, enter:	
	(i) Taxable income or (loss)	(ii) U.S. income tax paid (after all credits)
c Name and address of foreign corporation's statutory or resident agent in country of incorporation  Name <b>Kane (Cayman) Limited</b> Address <b>P.O. Box 10233</b> City <b>Grand Cayman</b> ST Zip <b>KY1-1002</b> Country <b>Cayman Islands</b>	d Name and address (including corporate department, if applicable) of person (or persons) with custody of the books and records of the foreign corporation, and the location of such books and records, if different Name <b>Same as 2c</b> Address City State Zip Country Location of Books/Records if different	

Schedule A Stock of the Foreign Corporation (a) Description of each class of stock	(b) Number of shares issued and outstanding	
	(i) Beginning of annual accounting period	(ii) End of annual accounting period
<b>COMMON</b>	<b>50,000</b>	<b>50,000</b>

**Schedule B U.S. Shareholders of Foreign Corporation** (see instructions)

(a) Name, address, and identifying number of shareholder	(b) Description of each class of stock held by shareholder. Note: This description should match the corresponding description entered in Schedule A, column (a).	(c) Number of shares held at beginning of annual accounting period	(d) Number of shares held at end of annual accounting period	(e) Pro rata share of subpart F income (enter as a percentage)
Name Western Maryland Health System Str 12400 Willowbrook Road, P.O. Box 539 City Cumberland ST MD Zip 21502 ID Num 52-1971675	COMMON	50,000	50,000	100.000000%
Name Str City ST Zip ID Num				
Name Str City ST Zip ID Num				
Name Str City ST Zip ID Num				
Name Str City ST Zip ID Num				

**Schedule C Income Statement** (see instructions)

**Important:** Report all information in functional currency in accordance with U.S. GAAP. Also, report each amount in U.S. dollars translated from functional currency (using GAAP translation rules). However, if the functional currency is the U.S. dollar, complete only the U.S. Dollars column. See instructions for special rules for DASTM corporations.

		Functional Currency	U.S. Dollars
Income	1 a Gross receipts or sales	1a	2,440,541
	b Returns and allowances	1b	
	c Subtract line 1b from line 1a	1c	2,440,541
	2 Cost of goods sold	2	
	3 Gross profit (subtract line 2 from line 1c)	3	2,440,541
	4 Dividends	4	
	5 Interest	5	272,790
	6 a Gross rents	6a	
	b Gross royalties and license fees	6b	
7 Net gain or (loss) on sale of capital assets	7	-132,912	
8 Other income (attach statement)	8		
9 Total income (add lines 3 through 8)	9	2,580,419	
Deductions	10 Compensation not deducted elsewhere	10	
	11 a Rents	11a	
	b Royalties and license fees	11b	
	12 Interest	12	
	13 Depreciation not deducted elsewhere	13	
	14 Depletion	14	
	15 Taxes (exclude provision for income, war profits, and excess profits taxes)	15	
	16 Other deductions (attach statement—exclude provision for income, war profits, and excess profits taxes)	16	2,334,078
17 Total deductions (add lines 10 through 16)	17	2,334,078	
Net Income	18 Net income or (loss) before extraordinary items, prior period adjustments, and the provision for income, war profits, and excess profits taxes (subtract line 17 from line 9)	18	246,341
	19 Extraordinary items and prior period adjustments (see instructions)	19	
	20 Provision for income, war profits, and excess profits taxes (see instructions)	20	
	21 Current year net income or (loss) per books (combine lines 18 through 20)	21	246,341

**Schedule E** Income, War Profits, and Excess Profits Taxes Paid or Accrued (see instructions)

	(a) Name of country or U.S. possession	Amount of tax		
		(b) In foreign currency	(c) Conversion rate	(d) In U.S. dollars
1	U.S.			
2				
3				
4				
5				
6				
7				
8	Total			0

**Schedule F** Balance Sheet

**Important:** Report all amounts in U.S. dollars prepared and translated in accordance with U.S. GAAP. See instructions for an exception for DASTM corporations.

Assets		(a) Beginning of annual accounting period	(b) End of annual accounting period
1	Cash	961,818	2,567,943
2 a	Trade notes and accounts receivable		
b	Less allowance for bad debts	( )	( )
3	Inventories		
4	Other current assets (attach statement)	4,698,412	5,719,090
5	Loans to shareholders and other related persons		
6	Investment in subsidiaries (attach statement)		
7	Other investments (attach statement)	9,997,686	9,785,039
8 a	Buildings and other depreciable assets		
b	Less accumulated depreciation	( )	( )
9 a	Depletable assets		
b	Less accumulated depletion	( )	( )
10	Land (net of any amortization)		
11	Intangible assets:		
a	Goodwill		
b	Organization costs		
c	Patents, trademarks, and other intangible assets		
d	Less accumulated amortization for lines 11a, b, and c	( )	( )
12	Other assets (attach statement)	365,000	359,167
13	Total assets	16,022,916	18,431,239
<b>Liabilities and Shareholders' Equity</b>			
14	Accounts payable	50,602	55,006
15	Other current liabilities (attach statement)	31,687	264,762
16	Loans from shareholders and other related persons		
17	Other liabilities (attach statement)	11,384,174	13,308,677
18	Capital stock:		
a	Preferred stock		
b	Common stock	50,000	50,000
19	Paid-in or capital surplus (attach reconciliation)	70,000	70,000
20	Retained earnings	4,436,453	4,682,794
21	Less cost of treasury stock	( )	( )
22	Total liabilities and shareholders' equity	16,022,916	18,431,239

**Schedule C Other Information**

Yes No

- 1 During the tax year, did the foreign corporation own at least a 10% interest, directly or indirectly, in any foreign partnership?  Yes  No  
If "Yes," see the instructions for required statement.
- 2 During the tax year, did the foreign corporation own an interest in any trust?  Yes  No
- 3 During the tax year, did the foreign corporation own any foreign entities that were disregarded as entities separate from their owners under Regulations sections 301.7701-2 and 301.7701-3 (see instructions)?  Yes  No  
If "Yes," you are generally required to attach Form 8858 for each entity (see instructions).
- 4 During the tax year, was the foreign corporation a participant in any cost sharing arrangement?  Yes  No
- 5 During the course of the tax year, did the foreign corporation become a participant in any cost sharing arrangement?  Yes  No
- 6 During the tax year, did the foreign corporation participate in any reportable transaction as defined in Regulations section 1.6011-4?  Yes  No  
If "Yes," attach Form(s) 8886 if required by Regulations section 1.6011-4(c)(3)(i)(G).
- 7 During the tax year, did the foreign corporation pay or accrue any foreign tax that was disqualified for credit under section 901(m)?  Yes  No
- 8 During the tax year, did the foreign corporation pay or accrue foreign taxes to which section 909 applies, or treat foreign taxes that were previously suspended under section 909 as no longer suspended?  Yes  No

**Schedule H Current Earnings and Profits** (see instructions)

**Important:** Enter the amounts on lines 1 through 5c in functional currency.

1	Current year net income or (loss) per foreign books of account			1	246,341
2	Net adjustments made to line 1 to determine current earnings and profits according to U.S. financial and tax accounting standards (see instructions):	<b>Net Additions</b>	<b>Net Subtractions</b>		
a	Capital gains or losses	145,640			
b	Depreciation and amortization				
c	Depletion				
d	Investment or incentive allowance				
e	Charges to statutory reserves				
f	Inventory adjustments				
g	Taxes				
h	Other (attach statement)	1,434,016	2,440,541		
3	Total net additions	1,579,656			
4	Total net subtractions		2,440,541		
5a	Current earnings and profits (line 1 plus line 3 minus line 4)			5a	-614,544
b	DASTM gain or (loss) for foreign corporations that use DASTM (see instructions)			5b	
c	Combine lines 5a and 5b			5c	-614,544
d	Current earnings and profits in U.S. dollars (line 5c translated at the appropriate exchange rate as defined in section 989(b) and the related regulations (see instructions))			5d	-614,544
	Enter exchange rate used for line 5d				1

**Schedule I Summary of Shareholder's Income From Foreign Corporation** (see instructions)

If item D on page 1 is completed, a separate Schedule I must be filed for each Category 4 or 5 filer for whom reporting is furnished on this Form 5471. This schedule I is being completed for:

Name of U.S. shareholder ▶ Western Maryland Health System Identifying number ▶ 52-1971675

1	Subpart F income (line 38b, Worksheet A in the instructions)	1	0
2	Earnings invested in U.S. property (line 17, Worksheet B in the instructions)	2	
3	Previously excluded subpart F income withdrawn from qualified investments (line 6b, Worksheet C in the instructions)	3	
4	Previously excluded export trade income withdrawn from investment in export trade assets (line 7b, Worksheet D in the instructions)	4	
5	Factoring income	5	
6	Total of lines 1 through 5. Enter here and on your income tax return. See instructions	6	0
7	Dividends received (translated at spot rate on payment date under section 989(b)(1))	7	
8	Exchange gain or (loss) on a distribution of previously taxed income	8	

Yes No

If the answer to either question is "Yes," attach an explanation.

**SCHEDULE J  
(Form 5471)**

(Rev. December 2012)  
Department of the Treasury  
Internal Revenue Service

**Accumulated Earnings and Profits (E&P)  
of Controlled Foreign Corporation**

Information about Schedule J (Form 5471) and its instructions is at [www.irs.gov/form5471](http://www.irs.gov/form5471).

OMB No. 1545-0704

▶ Attach to Form 5471.

Name of person filing Form 5471 Western Maryland Health System	EIN (if any) 98-0445260	Identifying number 52-1971675
Name of foreign corporation Western Maryland Insurance Company, Ltd.	(c) Previously Taxed E&P (see instructions) (i) Earnings Invested in U.S. Property (ii) Earnings Invested in Excess Passive Assets (iii) Subpart F Income	(d) Total Section 964(a) E&P (combine columns (a), (b), and (c))

	(a) Post-1986 Undistributed Earnings (post-86 section 959(c)(3) balance)	(b) Pre-1987 E&P Not Previously Taxed (pre-87 section 959(c)(3) balance)	(c) Previously Taxed E&P (see instructions)	(d) Total Section 964(a) E&P (combine columns (a), (b), and (c))
<b>1</b> Balance at beginning of year	-1,273,623			-1,273,623
<b>2 a</b> Current year E&P				
<b>b</b> Total current and accumulated E&P not previously taxed (line 1 plus line 2a or line 1 minus line 2b)	614,544			
<b>3</b> Amounts included under section 951(a) or reclassified under section 959(c) in current year	-1,888,167			
<b>4</b> Actual distributions or reclassifications of previously taxed E&P				
<b>5 a</b> Actual distributions of nonpreviously taxed E&P				
<b>b</b> Balance of previously taxed E&P at end of year (line 1 plus line 4, minus line 5a)				
<b>6 a</b> Balance of E&P not previously taxed at end of year (line 3 minus line 4, minus line 5b)	-1,888,167			
<b>7</b> Balance at end of year. (Enter amount from line 6a or line 6b, whichever is applicable.)	-1,888,167			-1,888,167

**SCHEDULE M  
(Form 5471)**

(Rev. December 2012)  
Department of the Treasury  
Internal Revenue Service

**Transactions Between Controlled Foreign Corporation  
and Shareholders or Other Related Persons**

▶ Information about Schedule M (Form 5471) and its instructions is at [www.irs.gov/form5471](http://www.irs.gov/form5471).  
▶ Attach to Form 5471.

OMB No. 1545-0704

Name of person filing Form 5471 Western Maryland Health System		Identifying number 52-1971675
Name of foreign corporation Western Maryland Insurance Company, Ltd.	EIN (if any) 98-0446260	Reference ID number (see instructions)

**Important:** Complete a separate Schedule M for each controlled foreign corporation. Enter the totals for each type of transaction that occurred during the annual accounting period between the foreign corporation and the persons listed in columns (b) through (f). All amounts must be stated in U.S. dollars translated from functional currency at the average exchange rate for the foreign corporation's tax year. See instructions.

Enter the relevant functional currency and the exchange rate used throughout this schedule ▶ US Dollar 1

(a) Transactions of foreign corporation	(b) U.S. person filing this return	(c) Any domestic corporation or partnership controlled by U.S. person filing this return	(d) Any other foreign corporation or partnership controlled by U.S. person filing this return	(e) 10% or more U.S. shareholder of controlled foreign corporation (other than the U.S. person filing this return)	(f) 10% or more U.S. shareholder of any corporation controlling the foreign corporation
1 Sales of stock in trade (inventory)					
2 Sales of tangible property other than stock in trade					
3 Sales of property rights (patents, trademarks, etc.)					
4 Platform contribution transaction payments received					
5 Cost sharing transaction payments received					
6 Compensation received for technical, managerial, engineering, construction, or like services					
7 Commissions received					
8 Rents, royalties, and license fees received					
9 Dividends received (exclude deemed distributions under subpart F and distributions of previously taxed income)					
10 Interest received					
11 Premiums received for insurance or reinsurance	1,077,500				
12 Add lines 1 through 11	1,077,500				
13 Purchases of stock in trade (inventory)					
14 Purchases of tangible property other than stock in trade					
15 Purchases of property rights (patents, trademarks, etc.)					
16 Platform contribution transaction payments paid					
17 Cost sharing transaction payments paid					
18 Compensation paid for technical, managerial, engineering, construction, or like services					
19 Commissions paid					
20 Rents, royalties, and license fees paid					
21 Dividends paid					
22 Interest paid					
23 Premiums paid for insurance or reinsurance					
24 Add lines 13 through 23					
25 Amounts borrowed (enter the maximum loan balance during the year) — see instructions					
26 Amounts loaned (enter the maximum loan balance during the year) — see instructions					

### Line 16, Sch C (5471) - Other Deductions

#### U.S Dollars

1	Underwriting Expenses	1	2,065,152
2	Professional Fees	2	110,388
3	Investment Fees	3	51,548
4	Management Fees	4	37,875
5	Travel and Meeting Expenses	5	32,377
6	Risk Management Grants	6	22,198
7	Government Fees	7	11,982
8	Miscellaneous Expenses	8	2,558
9		9	
10	Total other deductions	10	2,334,078

#### Functional Currency

1	Functional Currency is Stated in U.S. Dollars (See Above)	1	
2		2	
3		3	
4		4	
5		5	
6		6	
7		7	
8		8	
9		9	
10	Total other deductions	10	0

### Line 4, Sch F (5471) - Other Current Assets

		Beginning	End
1	Claims Escrow Fund	168,474	143,623
2	Prepaid Expenses	14,363	6,144
3	Outstanding Losses Recoverable	3,853,911	4,843,911
4	Premiums Receivable	584,554	626,001
5	Interest Receivable	77,110	73,411
6	Fixed Deposits	0	26,000
7			
8			
9			
10			
11	Total other current assets	4,698,412	5,719,090

### Line 7, Sch F (5471) - Other Investments

		Beginning	End
1	U.S. Corporate Bonds	4,768,919	4,702,964
2	U.S. Government Bonds	2,218,403	2,410,488
3	U.S. Corporate Mortgage/Asset Backed Securities	928,907	940,279
4	U.S. Collateralised Mortgage Obligations	893,039	608,827
5	U.S. Municipal Bonds	29,169	0
6	Non-U.S. Corporate Bonds	141,361	0
7	Non-Exchange Traded Funds	1,017,888	1,122,481
8			
9			
10			
11	Total other investments	9,997,686	9,785,039



**Line 12, Sch F (5471) - Other Assets**

		Beginning	End
1	Deferred Reinsurance Premium Ceded	365,000	359,167
2			
3			
4			
5			
6			
7			
8			
9			
10			
11	Total other assets	365,000	359,167

**Line 15, Sch F (5471) - Other Current Liabilities**

		Beginning	End
1	Due to Parent - Grants	23,300	12,622
2	Due to Parent - Losses Payable	8,387	252,140
3			
4			
5			
6			
7			
8			
9			
10			
11	Total other current liabilities	31,687	264,762

**Line 17, Sch F (5471) - Other Liabilities**

		Beginning	End
1	Unearned Premium Reserve	1,190,461	1,248,089
2	Provision for Outstanding Losses	10,193,713	12,060,588
3			
4			
5			
6			
7			
8			
9			
10			
11	Total other liabilities	11,384,174	13,308,677

**Line 19, Sch F (5471) - Paid-In or Capital Surplus**

		Beginning	End
1	Additional Paid-In Capital	70,000	70,000
2			
3			
4			
5			
6			
7			
8			
9			
10			
11	Total Paid-in or capital surplus	70,000	70,000

Line 2h, Sch H (5471) - Other

		Additions	Subtractions
1	Related Party Premiums		2,440,541
2	Related Party Claims Paid and Movement in Loss Reserves	1,434,016	
3			
4			
5			
6			
7			
8			
9			
10			
11	Total Other	1,434,016	2,440,541

STATEMENT PURSUANT TO §1.351-3(a) BY *WESTERN MARYLAND HEALTH SYSTEM, 52-1971675*, A SIGNIFICANT TRANSFEROR

Western Maryland Health System, on August 3, 2012, December 12, 2012, February 14, 2013 and May 13, 2013, transferred cash with an aggregate fair market value and a basis of \$2,462,555 to Western Maryland Insurance Company, Ltd., 98-0446260. No private letter rulings were issued by the Internal Revenue Service in connection with the Section 351 exchange.



**WESTERN MARYLAND HEALTH SYSTEM CORPORATION**

Consolidated Financial Statements and Supplementary Information

June 30, 2013 and 2012

(With Independent Auditors' Report thereon)

WESTERN MARYLAND HEALTH SYSTEM CORPORATION

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KPMG LLP  
1 East Pratt Street  
Baltimore, MD 21202-1128

## Independent Auditors' Report

The Board of Directors  
Western Maryland Health System Corporation:

We have audited the accompanying consolidated financial statements of Western Maryland Health System Corporation, which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Western Maryland Health System Corporation as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles



**Emphasis of Matter**

As discussed in note 2(u) to the consolidated financial statements, in 2013, the Health System adopted new accounting guidance, Accounting Standards Update 2011-07, *Health Care Entities (Topic 954), Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. Our opinion is not modified with respect to this matter.

**Other Matter**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information in Schedules 1-3 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

October 18, 2013

**WESTERN MARYLAND HEALTH SYSTEM CORPORATION**

Consolidated Balance Sheets

June 30, 2013 and 2012

(Dollars in thousands)

Assets	<u>2013</u>	<u>2012</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 51,953	44,573
Investments	43,528	31,951
Funds on deposit with trustee	15,476	15,303
Accounts receivable, less allowance for doubtful accounts of \$5,093 in 2013 and \$5,907 in 2012	40,847	41,515
Pledge receivable, net	605	941
Other receivables, less allowance for uncollectible accounts of \$1,190 in 2013 and \$2,022 in 2012	4,774	3,831
Inventories and other current assets	<u>10,250</u>	<u>10,208</u>
Total current assets	167,433	148,322
Funds on deposit with trustee	36,439	32,701
Board designated investments	5,465	945
Other long-term investments	405	636
Investments restricted by donor or grantor	4,604	2,221
Beneficial interest in trustee held Foundation assets	1,823	1,728
Property and equipment, net	332,336	354,451
Unamortized financing fees	3,997	4,258
Investments in affiliates	18,438	17,012
Other assets	<u>5,228</u>	<u>4,241</u>
Total assets	<u>\$ 576,168</u>	<u>566,515</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt	\$ 8,229	7,863
Accounts payable and accrued liabilities	6,848	7,193
Accrued bond interest payable	7,691	7,858
Accrued salaries and benefits	14,209	15,099
Payable to third-party payors	<u>6,956</u>	<u>8,050</u>
Total current liabilities	43,933	46,063
Long-term debt, net of current portion	319,773	328,663
Pension benefits in excess of pension assets	39,047	60,202
Other liabilities	<u>14,966</u>	<u>13,380</u>
Total liabilities	<u>417,719</u>	<u>448,308</u>
<b>Commitments and contingencies</b>		
<b>Net assets:</b>		
<b>Unrestricted:</b>		
Unrestricted net assets	150,081	111,282
Noncontrolling interest in consolidated subsidiaries	<u>1,510</u>	<u>2,094</u>
Total unrestricted net assets	151,591	113,376
Temporarily restricted	4,790	2,862
Permanently restricted	<u>2,068</u>	<u>1,969</u>
Total net assets	<u>158,449</u>	<u>118,207</u>
Total liabilities and net assets	<u>\$ 576,168</u>	<u>566,515</u>

See accompanying notes to consolidated financial statements.



**WESTERN MARYLAND HEALTH SYSTEM CORPORATION**

Consolidated Statements of Operations

Years ended June 30, 2013 and 2012

(Dollars in thousands)

	<b>2013</b>	<b>2012</b>
Unrestricted revenues, gains and other support:		
Patient service revenue (net of contractual allowances and charity)	\$ 298,772	289,334
Provision for bad debts	(7,514)	(5,817)
Net patient service revenue	291,258	283,517
Other revenue	9,823	5,365
Total revenues, gains and other support	301,081	288,882
Expenses:		
Salaries and wages	104,097	109,711
Employee benefits	39,745	33,736
Professional fees	11,437	9,129
Purchased services	18,530	19,155
Supplies	55,023	61,169
Utilities	4,002	4,497
Insurance	4,932	4,761
Interest	15,457	15,788
Depreciation and amortization	27,257	28,774
Other	7,902	8,001
Total expenses	288,382	294,721
Operating income (loss)	12,699	(5,839)
Nonoperating income:		
Equity in income of affiliates	1,424	4,649
Investment income, including realized gains on trading portfolio	2,582	2,686
Unrealized gains on trading portfolio	628	619
Other	483	131
Total nonoperating income	5,117	8,085
Excess of revenues over expenses	\$ 17,816	2,246

See accompanying notes to consolidated financial statements.

**WESTERN MARYLAND HEALTH SYSTEM CORPORATION**

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2013 and 2012

(Dollars in thousands)

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total net assets
Balance at June 30, 2011	\$ 154,682	4,327	2,035	161,044
Excess of revenues over expenses	2,246	—	—	2,246
Investment income	—	5	—	5
Donations	—	112	—	112
Grants	—	735	—	735
Change in funded status of pension plan	(39,795)	—	—	(39,795)
Net assets released for operations	—	(1,509)	—	(1,509)
Net assets released for purchase of property and equipment	808	(808)	—	—
Change in beneficial interest of trustee-held Foundation assets	—	—	(66)	(66)
Distributions to noncontrolling interest in consolidated subsidiaries	(4,565)	—	—	(4,565)
Change in net assets	(41,306)	(1,465)	(66)	(42,837)
Balance at June 30, 2012	113,376	2,862	1,969	118,207
Excess of revenues over expenses	17,816	—	—	17,816
Investment loss	—	(7)	—	(7)
Donations	—	3,180	—	3,180
Grants	—	69	—	69
Change in funded status of pension plan	22,506	—	—	22,506
Net assets released for operations	—	(886)	—	(886)
Net assets released for purchase of property and equipment	428	(428)	—	—
Change in beneficial interest of trustee-held Foundation assets	—	—	99	99
Asbestos liability adjustment	345	—	—	345
Distributions to noncontrolling interest in consolidated subsidiaries	(2,880)	—	—	(2,880)
Change in net assets	38,215	1,928	99	40,242
Balance at June 30, 2013	\$ 151,591	4,790	2,068	158,449

See accompanying notes to consolidated financial statements.

**WESTERN MARYLAND HEALTH SYSTEM CORPORATION**

Consolidated Statements of Cash Flows

Years ended June 30, 2013 and 2012

(Dollars in thousands)

	<b>2013</b>	<b>2012</b>
Cash flows from operating activities:		
Change in net assets	\$ 40,242	(42,837)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	27,257	28,774
Amortization of bond premium	661	684
Change in funded status of pension plan	(22,506)	39,795
Provision for bad debts	7,514	5,817
Distributions to noncontrolling interest holder	2,880	4,565
Equity in (income) loss of affiliates	(1,424)	(4,649)
Realized and unrealized gains (losses) on investments	(1,526)	(1,725)
Change in beneficial interest in trustee held Foundation assets	(99)	66
Changes in assets and liabilities:		
Accounts receivable	(6,846)	(2,707)
Other receivables	(943)	1,137
Inventories and other current assets	(42)	2,325
Accounts payable and accrued liabilities, accrued bond interest payable and accrued salaries and benefits	(1,402)	2,097
Payable to third-party payors	(1,094)	1,999
Other assets, funded status of pension plan, and other liabilities	628	(1,513)
Net cash provided by operating activities	43,300	33,828
Cash flows from investing activities:		
Purchase of long-lived assets	(4,881)	(9,774)
Change in funds on deposit with trustee	(3,911)	(8,695)
Net change in investments	(16,484)	(7,660)
Distributions from unconsolidated entities	—	4,000
Net cash used in investing activities	(25,276)	(22,129)
Cash flows from financing activities:		
Repayments of long-term debt	(7,445)	(7,120)
Capital lease payments	(418)	(394)
Restricted investment income (loss)	99	(66)
Distributions to noncontrolling interest holder	(2,880)	(4,565)
Net cash used in financing activities	(10,644)	(12,145)
Net increase (decrease) in cash and cash equivalents	7,380	(446)
Cash and cash equivalents at beginning of year	44,573	45,019
Cash and cash equivalents at end of year	\$ 51,953	44,573
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 15,336	15,699

See accompanying notes to consolidated financial statements.

## WESTERN MARYLAND HEALTH SYSTEM CORPORATION

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

### (1) Mission and Organization

Western Maryland Health System Corporation (the Health System or WMHS) is a not-for-profit community health system. The mission of the Health System is to improve the health status and quality of life of the individuals and the communities served, especially those in need. The Health System provides patient and family centered services through responsible management of human and fiscal resources. The Health System is a values-driven health system that respects and supports life, preserves the dignity of each individual, and promotes a healthy and just society through collaboration with others who share the Health System's values.

The Health System accepts patients regardless of their ability to pay. Those patients who meet certain criteria under its charity care policies receive services at no charge or at an amount less than full charges. Essentially, these policies define charity services as those services for which no payment is anticipated. In addition to providing charity care, the Health System provides other programs and services for the general community. The Health System offers over 90 community health programs that include programs that target health education programs and health screenings to patients. A wide variety of health screenings are offered throughout the year for the general community that are free of charge or offered for a nominal fee. The Health System provides free education programs on a variety of health topics. The Health System also sponsors an annual community health fair, which provides health screenings, education and activities targeted to health and safety.

The Health System comprises the following wholly or partially owned, and controlled, consolidated subsidiaries in Cumberland, Maryland:

#### (a) *Acute Care Hospital*

Western Maryland Regional Medical Center – a full service community hospital located in Cumberland, Maryland, licensed for 275 acute care beds, owned and operated by the Health System.

#### (b) *Long-Term Care*

Frostburg Nursing and Rehabilitation Center (Frostburg)

#### (c) *Other*

Western Maryland Health System Foundation, Inc. (Foundation)

Western Maryland Insurance Company, Ltd. (WMIC)

Haystack Consolidated Services Inc. (Haystack)

Cumberland Properties, Inc.

Memorial Medical Center Services, Inc. (MMCS)

Johnson Heights Medical Building Partnership (Johnson Heights)

Haystack Imaging Services, LLC (Haystack Imaging)

## WESTERN MARYLAND HEALTH SYSTEM CORPORATION

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

In addition, the Health System has investments in several unconsolidated affiliates, which are accounted for on the cost or equity methods of accounting, as appropriate (see note 6).

### (2) Summary of Significant Accounting Policies

#### (a) *Principles of Consolidation*

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, and include the accounts of the Health System and its subsidiaries and controlled entities. Significant intercompany accounts and transactions have been eliminated in consolidation. The Health System's consolidated financial statements reflect the respective interests of the minority investors in the joint ventures' net assets and changes in net assets.

#### (b) *Investments in Affiliates*

Investments in certain joint ventures, which are not controlled by the Health System, are accounted for using the cost or equity method of accounting as appropriate (see note 6). These investments are included as investments in affiliates in the accompanying consolidated balance sheets. The Health System's proportionate share of income or loss of the unconsolidated joint ventures is included in nonoperating income in the accompanying consolidated statements of operations.

#### (c) *Cash Equivalents*

Cash equivalents consist primarily of temporary investments with maturities of three months or less when purchased and certain overnight repurchase agreements. Overnight repurchases are principally unsecured and are subject to normal credit risk.

#### (d) *Accounts Receivable*

Patient accounts receivable are stated at estimated net realizable amounts from patients, third-party payors and other insurers when services are provided. The Health System bills the insurer directly for services provided. Insurance coverage and credit information is obtained from patients when available. No collateral is obtained for accounts receivable.

#### (e) *Inventories*

Inventories primarily consist of medical supplies and drugs and are carried at lower of cost or market. Cost is determined principally using the average cost method, which approximates the first-in first-out (FIFO) method.

#### (f) *Investments*

The Health System's investment portfolio, including board designated investments and investments restricted by donor or grantor, is considered a trading portfolio and is classified as current or noncurrent assets based on management's intention as to use. Accordingly, realized and unrealized gains and losses are included in investment income in the accompanying consolidated statements of

## WESTERN MARYLAND HEALTH SYSTEM CORPORATION

### Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

operations. Dividend and interest income, as well as realized gains on sales of securities, are included in investment income.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of revenues over expenses unless the investments are trading securities.

#### **(g) *Property and Equipment***

Property and equipment are stated at cost or, if donated, at fair market value at date of gift. Depreciation is determined using a straight-line basis over the estimated useful lives of the related assets. Repairs and maintenance are expensed as incurred.

Gifts of long-lived assets, such as land, building or equipment, or cash gifts to be used for purchase of long-lived assets, are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are reported are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted net assets. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported as released from restrictions when the donated or acquired long-lived assets are placed in service.

The Health System opened a 275-bed, state-of-the-art hospital on November 21, 2009. Adjacent to the hospital is a 120,000-square-foot medical office building (MOB) previously owned and operated by a third-party medical office building developer until the purchase of the MOB by WMHS on February 17, 2011. The MOB includes both hospital services and physicians' office space.

#### **(h) *Impairment of Long-Lived Assets***

Management regularly evaluates whether events or changes in circumstances have occurred that could indicate an impairment in the value of long-lived assets. In accordance with the provisions of Accounting Standards Codification (ASC) Subtopic 360-10, *Accounting for the Impairment or Disposal of Long-Lived Assets*, if there is an indication that the carrying amount of an asset is not recoverable, the Health System projects undiscounted cash flows, excluding interest, to determine if an impairment loss should be recognized. The amount of impairment loss is determined by comparing the historical carrying value of the asset to its estimated fair value. Estimated fair value is determined through an evaluation of recent and projected financial performance using discounted cash flows.

In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining lives of its long-lived assets. If estimates are changed, the carrying value of affected assets is allocated over the remaining lives.

## WESTERN MARYLAND HEALTH SYSTEM CORPORATION

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

In estimating the future cash flows for determining whether an asset is impaired and if expected future cash flows used in measuring assets are impaired, the Health System groups the assets at the lowest level for which there are identifiable cash flows independent of other groups of assets. If such assets are impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets.

**(i) Financing Costs**

Financing costs incurred in issuing long-term debt have been deferred and are shown separately on the balance sheet. These costs are being amortized using the effective interest method over the term of the related debt. The unamortized balances were \$3,997 and \$4,258 at June 30, 2013 and 2012, respectively.

**(j) Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are limited as to use by donors to a specific time period or purpose. Permanently restricted net assets are to be held in perpetuity at the instruction of the donor. Income from permanently restricted net assets is used as defined by the donor.

**(k) Net Patient Service Revenue**

On November 16, 2010, the Health System and the Health Services Cost Review Commission (HSCRC) agreed to a three-year contract for the Health System to implement the Total Patient Revenue (TPR) methodology, effective July 1, 2010. The TPR agreement establishes a prospective, fixed revenue base "TPR cap," for the upcoming year. This includes both inpatient and outpatient regulated services. Under TPR, the Health System's revenue for all HSCRC regulated services is predetermined for the upcoming year, regardless of changes in volume, service mix intensity, or mix of inpatient or outpatient services that occurred during the year. The TPR agreement allows the Health System to adjust unit rates, within certain limits, to achieve the overall revenue base for the Health System at year end. Any overcharge or undercharge versus the TPR cap is prospectively added to the subsequent year's TPR cap. Although the TPR cap does not adjust for changes in volume or service mix, the TPR cap is adjusted annually for inflation, and for changes in payor mix and uncompensated care. Beginning in year three of the three-year contract, the Health System will receive an annual adjustment to its cap for the change in population in the Health System's service area. TPR is designed to encourage hospitals to operate efficiently by reducing utilization and managing patients in the appropriate care delivery setting.

Contractual adjustments, which represent the difference between amounts billed as patient service revenue and amounts paid by third-party payors, are accrued in the period in which the related services are rendered. Because the Health System does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue.

The Maryland Medicaid program is administered primarily through independent licensed managed care organizations. The State of Maryland has contracts with these independent managed care organizations to manage the care to eligible participants. Amounts due from the Medicaid program in Maryland are primarily due from the independent managed care organizations.

## WESTERN MARYLAND HEALTH SYSTEM CORPORATION

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

Under certain provisions of the American Recovery and Reinvestment Act of 2009 (ARRA), federal incentive payments are available to hospitals, physicians and certain other professionals (Providers) when they adopt, implement or upgrade (AIU) certified electronic health record (EHR) technology or become "meaningful users," as defined under ARRA, of EHR technology in ways that demonstrate improved quality, safety and effectiveness of care. Providers can become eligible for annual Medicare incentive payments by demonstrating meaningful use of EHR technology in each period over four periods. Medicaid providers can receive their initial incentive payment by satisfying AIU criteria, but must demonstrate meaningful use of EHR technology in subsequent years in order to qualify for additional payments. Hospitals may be eligible for both Medicare and Medicaid EHR incentive payments; however, physicians and other professionals may be eligible for either Medicare or Medicaid incentive payments, but not both. The Health System recognizes Medicare EHR incentive payments when it is reasonably assured that the Health System will successfully demonstrate compliance with the specified meaningful use criteria. The Health System satisfied the CMS AIU and/or meaningful use criteria. As a result, the Health System recognized approximately \$4,744 of Medicare and Medicaid EHR incentive payments in other operating revenues in the consolidated statement of operations for the year ended June 30, 2013.

**(l) Excess of Revenues over Expenses**

The consolidated statement of operations includes the performance indicator, excess of revenues over expenses. Changes in unrestricted net assets, which are excluded from excess of revenues over expenses, include unrealized gains and losses on other than trading securities, change in funded status of the pension plan, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets).

**(m) Charity Care**

The Health System, as an integral part of its mission, accepts and treats all patients without regard to their ability to pay. A patient is classified as a charity patient in accordance with established criteria. Charity care is the recognition of services rendered for which no payment is expected.

**(n) Donations**

Unconditional donations are included in income when pledged or received. Donations restricted as to use by the donor are reflected as additions to temporarily or permanently restricted net assets. Expenditures of temporarily restricted net assets are transferred to unrestricted net assets if for capital additions, or reported as other revenue if for operating purposes.

**(o) Income Taxes**

The Health System and substantially all of its affiliates are tax exempt organizations under section 501(c)(3) of the Internal Revenue Code (IRC) and are not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. No provision for income taxes was required to be made in the consolidated financial statements for these entities.



## WESTERN MARYLAND HEALTH SYSTEM CORPORATION

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

Johnson Heights is a general partnership and Haystack Imaging is a limited liability company and both are not directly subject to income taxes. The results of their operations are included in the tax returns of their partners. Haystack and MMCS are taxable for profit entities, which recognized an immaterial amount of taxable losses during 2013 and 2012.

The Health System and affiliates account for tax provisions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 740-10, *Accounting for Uncertainty in Income Taxes*, which creates a single model to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. Under the requirements of ASC Subtopic 740-10, an entity could be required to record an obligation as the result of a tax position they have historically taken on various tax exposure items. The Health System and affiliates have determined that it did not have any uncertain tax positions as of June 30, 2013 and 2012.

**(p) Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**(q) Western Maryland Health System Foundation**

The Foundation is controlled by the Health System and thus its assets, liabilities, net assets and results of operations are consolidated within the Health System's financial statements.

**(r) Beneficial Interest in Trustee Held Assets**

The Health System records a beneficial interest in several trusts (the assets of which are to be held in perpetuity) for which a portion of the income is to be distributed to the Health System. These changes in the fair value of the trusts are recorded as unrealized gains/losses in permanently restricted net assets.

**(s) Pension Plan**

For employees hired prior to July 1, 2011, the Health System has a noncontributory defined benefit pension plan covering substantially all of its employees upon their retirement. Since 2008, the benefits are based on age, years of service and career average pay. Grandfathered employees prior to 2008 are based on age, years of service and final average pay based on their five highest paid years of their last 10 years of service. Effective July 1, 2011, employees hired or rehired will not participate in the plan. These employees will participate in a new defined contribution plan that has been developed.

For the defined benefit pension plan, the Health System records annual amounts relating to its pension plan based on calculations that incorporate various actuarial and other assumptions including, discount rates, mortality, assumed rates of return, compensation increases, turnover rates

**WESTERN MARYLAND HEALTH SYSTEM CORPORATION**

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

and healthcare cost trend rates. The Health System reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The Health System believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience and market conditions.

**(t) Reclassifications**

Certain prior year amounts in note (17) Functional Expenses have been reclassified to reflect the effects of the Accounting Pronouncement discussed in note 2(u). The result reduced the 2012 Healthcare Services expenses by the provision for bad debts of \$5,817.

**(u) New Accounting Pronouncements**

In July 2011, the FASB issued ASU No. 2011-07, *Health Care Entities (Topic 954), Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which requires a healthcare entity to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowance and discounts). Additionally, enhanced disclosures about an entity's policies for recognizing, assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts are required. As permitted, the Health System adopted ASU No. 2011-07 beginning July 1, 2012. As such the Health System reclassified the provision for uncollectible, \$7,514 and \$5,817 for the years ended 2013 and 2012, respectively, from operating expenses to a reduction of patient service revenue in the statement of operations. In addition, the required disclosures related to the Health System's sources of patient service revenue and changes in the allowance for doubtful accounts can be found at note 3.

**(3) Accounts Receivable, Allowance for Doubtful Accounts and Business Concentrations**

During fiscal years 2013 and 2012, net patient service revenue was received from the following payors:

	2013	2012
Medicare	55%	55%
Medicaid	14	13
Blue Cross	12	13
Self-pay	4	3
Other	15	16
	100%	100%

**WESTERN MARYLAND HEALTH SYSTEM CORPORATION**

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

Gross accounts receivable at June 30, 2013 and 2012 consisted of the following payors:

	<b>2013</b>	<b>2012</b>
Medicare	43%	42%
Medicaid	11	12
Blue Cross	14	13
Self-pay	19	18
Other	13	15
	100%	100%

Patient accounts receivable are reduced by allowances for bad debts. In evaluation the collectability of accounts receivable, the Health System analyzes historical collections and write-offs and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for bad debts and provision for uncollectible accounts. Management regularly reviews its estimate and evaluates the sufficiency of the allowance for bad debts. The Health System analyzes contractual amounts due from patients who have third-party coverage and provides an allowance for doubtful accounts and a provision for bad debts. For patient accounts receivable associated with self-pay patients, which includes those patients without insurance coverage exists for a portion of the bill, the Health System records a significant provision for bad debts for patients that are unable or unwilling to pay for the portion of the bill representing their financial responsibility. Account balances are charged off against the allowance for doubtful accounts after all means of collection has been exhausted.

The activity in the allowance for bad debts is summarized as follows for the years ended June 30:

	<b>2013</b>	<b>2012</b>
Beginning balance as of July 1	\$ 5,907	7,539
Provision for uncollectible accounts	7,514	5,817
Less write offs	(8,328)	(7,449)
Ending balance as of June 30	\$ 5,093	5,907

**WESTERN MARYLAND HEALTH SYSTEM CORPORATION**

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

**(4) Investments**

Investments, which include Funds on deposit with trustees, Board designated investments and Investments restricted by donor or grantor, consist of the following as of June 30:

	<b>2013</b>	<b>2012</b>
U.S. government obligations	\$ 14,014	6,346
Money market funds	24,411	2,695
Corporate stocks and other	13,897	12,056
Fixed income securities	53,595	62,660
	\$ 105,917	83,757

Investments have been classified in the accompanying consolidated balance sheets as follows as of June 30:

	<b>2013</b>	<b>2012</b>
Short-term investments	\$ 43,528	31,951
Funds on deposit with trustee	51,915	48,004
Board designated investments	5,465	945
Other long-term investments	405	636
Investments restricted by donor or grantor	4,604	2,221
	\$ 105,917	83,757

Investment income and gains for assets limited as to use, cash equivalents, and other investments comprise the following for the years ended June 30:

	<b>2013</b>	<b>2012</b>
Income:		
Investment income	\$ 1,684	1,580
Realized gains on trading investment portfolio	898	1,106
Unrealized gains on trading investment portfolio	628	619
	\$ 3,210	3,305

**WESTERN MARYLAND HEALTH SYSTEM CORPORATION**

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

**(5) Property and Equipment**

Property and equipment and estimated useful lives (in years) are summarized as follows as of June 30:

	<b>2013</b>	<b>2012</b>
Land and land improvements (2–25 years)	\$ 14,363	16,191
Buildings and improvements (5–40 years)	333,319	400,563
Equipment (3–20 years)	174,550	171,357
Construction in progress	911	109
	523,143	588,220
Less accumulated depreciation	190,807	233,769
Property and equipment, net	\$ 332,336	354,451

Depreciation expense for the year ended June 30, 2013 was \$26,996. Depreciation expense for the year ended June 30, 2012 was \$28,464 including an impairment of long-lived assets for \$2,125.

**(6) Investments in Affiliates**

Investments in affiliates and equity in income (loss) of affiliates are as follows as of and for the years ended June 30:

Name	Interest	Business	Investment		Equity in income (loss)	
			2013	2012	2013	2012
Maryland Physicians Care, Inc.	25.00%	State of Maryland Medicaid managed care	\$ 18,235	16,752	1,482	4,887
Other affiliates	0.21% to 33.33%	Supply purchasing and medical equipment	203	260	(58)	(238)
			\$ 18,438	17,012	1,424	4,649

**WESTERN MARYLAND HEALTH SYSTEM CORPORATION**

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

**(7) Long-Term Debt**

Long-term debt consists of the following as of June 30:

	2013	2012
Maryland Health and Higher Educational Facilities Authority (MHHEFA) Series 2006, Series A and B Revenue (FHA Insured) Bonds, interest rate 4.0 to 5.0%	\$ 317,915	325,360
Capital leases	559	977
Net unamortized bond premium	9,528	10,189
Long-term debt	328,002	336,526
Less current portion of long-term debt	8,229	7,863
Long-term debt less current portion	\$ 319,773	328,663

Scheduled principal repayments on long-term debt for the years ending June 30 are as follows:

2014	\$	8,229
2015		8,300
2016		8,565
2017		8,975
2018		9,365
Thereafter		275,040

In November 2006, proceeds from issuance of \$348,650 and \$2,180 Maryland Health and Higher Education Facilities Authority Series 2006, Series A and B bonds were obtained for the purpose of (1) financing the costs of acquisition, construction and equipping of the Western Maryland Regional Medical Center (see note 1) and (2) to refund prior debt issuances. The Health System redeemed \$11,360 of the Series 2006A bonds in conjunction with their final endorsement in 2010.

Principal payments on the Series 2006A revenue bonds commence on July 1, 2010, and are due semi-annually through January 1, 2035. Interest payments are due semi-annually commencing July 1, 2007. The total outstanding balance on the Series 2006B revenue bonds was paid on July 1, 2010. Interest on the Series 2006A bonds accrues at a rate of 4.0% to 5.0% per annum.

The Federal Housing Authority (FHA) has issued a commitment for mortgage insurance with respect to the project. The financing document contains quantitative and qualitative covenants (measured quarterly). The quantitative covenants include a debt service coverage ratio, a day's cash on hand requirement, current ratio requirement, a net days in accounts receivable requirement, and restrictions on operating losses and revenue over expenses.

In 2009, the Health System amended their line of credit agreement with a bank that permits the Health System to borrow up to \$1,000,000. There is no expiration date on the line of credit and the interest rate as

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(Dollars in thousands)

of June 30, 2013 was 4.5%. The line of credit primarily supports a letter of credit agreement in the amount of \$700,000. There was no outstanding balance as of June 30, 2013.

**(8) Charity Care**

The Health System utilizes a cost to charge ratio methodology to convert charity care to cost. Costs incurred are estimated based on the ratio of total operating expenses to gross charges applied to charity care charges. The amount of charges foregone for services and supplies furnished under the Health System's Charity Care policy aggregated approximately \$17,478 and \$15,949 for the years ended June 30, 2013 and 2012, respectively. The total direct and indirect costs to provide the care amounted to approximately \$13,458 and \$13,078 for the years ended June 30, 2013 and 2012, respectively.

**(9) Retirement Plans**

The WMHS Retirement Plan (the Plan) is a noncontributory defined benefit plan, which covers substantially all full-time employees who meet certain age and service requirements. The Plan's funding policy is to contribute, annually, the pension costs as determined by the Plan's actuary, subject to adjustment for full funding limitations as defined by the IRC.

The Health System's investment policy, established by the Investment Committee of the Finance Committee and approved by the Health System's Board of Directors, is to ensure current and future benefit obligations are adequately funded in a cost effective manner. The investment guidelines are based on a time horizon of greater than five years. In establishing the risk tolerances, the ability to withstand short and intermediate term variability with some interim fluctuations in market value and rates of return may be tolerated in order to achieve the longer-term objectives.

The measurement date of the Plan is June 30.

**WESTERN MARYLAND HEALTH SYSTEM CORPORATION**

Notes to Consolidated Financial Statements

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(Dollars in thousands)

The component of the Plan's funded status, net periodic benefit costs and actuarial assumptions used in accounting for defined benefit plans for the years ended June 30, 2013 and 2012 are as follows:

	<b>2013</b>	<b>2012</b>
<b>Change in projected benefit obligation:</b>		
Projected benefit obligation at beginning of year	\$ 208,348	163,136
Service cost	7,095	5,447
Interest cost	8,446	9,139
Assumptions	(17,609)	36,369
Actuarial loss	—	829
Benefits paid	(7,139)	(6,572)
	199,141	208,348
<b>Change in plan assets:</b>		
Plan assets at fair value at beginning of year	148,146	141,634
Actual return	10,087	5,084
Employer contributions	9,000	8,000
Benefits paid	(7,139)	(6,572)
	160,094	148,146
Fair value of plan assets at end of year	160,094	148,146
Funded status at end of year	\$ (39,047)	(60,202)
	<b>2013</b>	<b>2012</b>
<b>Components of net periodic benefit costs:</b>		
Service cost	\$ 7,095	5,447
Interest cost	8,446	9,139
Expected return on plan assets	(10,136)	(9,680)
Recognized prior service cost	(721)	(593)
Recognized net loss	5,667	2,593
	10,351	6,906
Net periodic pension cost	\$ 10,351	6,906



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Notes to Consolidated Financial Statements

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Deferred pension costs, which have not yet been recognized in periodic pension expense but are accrued in unrestricted net assets, are \$52,385 and \$74,891 at June 30, 2013 and 2012, respectively. Deferred pension costs represents unrecognized actuarial losses or unexpected changes in the projected benefit obligation and plan assets over time primarily due to changes in assumed discount rates and investment experience, unrecognized prior service costs, which is the impact of changes in plan benefits applied retrospectively to employee service previously rendered. The amount of deferred pension costs expected to be recognized as a component of net period pension costs during the year ending June 30, 2014 is \$3,290.

	2013	2012
Weighted average assumptions – benefit obligations:		
Discount rate	4.79%	4.12%
Salary scale	2.00	2.00
Return on assets	7.00	7.00
Weighted average assumptions – net periodic expense:		
Discount rate	4.12%	5.69%
Salary scale	2.00	2.00
Return on assets	7.00	7.00

The accumulated benefit obligation for the defined benefit pension plan was \$195,232 and \$202,432 at June 30, 2013 and 2012, respectively.

The Health System’s pension plan weighted average asset allocations at the measurement dates of June 30, 2013 and 2012, by asset category, are as follows:

	Percentage of plan assets		
	Target allocation	2013	2012
Asset class:			
Equities	40%	43%	38%
Fixed	60	57	62

The Health System expects to contribute \$8,000 to the Plan for the fiscal year ending June 30, 2014.

## WESTERN MARYLAND HEALTH SYSTEM CORPORATION

### Notes to Consolidated Financial Statements

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(Dollars in thousands)

The following benefit payments, which reflect expected future employee service, as appropriate, are expected to be paid in the following fiscal years ending June 30:

2014	\$	7,302
2015		7,871
2016		8,204
2017		8,875
2018		9,941
2019–2021		65,206

The expected benefits to be paid are based on the same assumptions used to measure the Health System's benefit obligation as of June 30, 2013.

Effective July 1, 2011, employees hired or rehired will not participate in the Plan. These employees will participate in a new defined contribution plan that has been developed, which allows employees to contribute amounts tax-deferred up to certain limits allowable under Internal Revenue Service (IRS) guidelines. The Health System has not contributed to the defined contribution plan during the year ended June 30, 2013 or 2012 but has accrued \$225 in anticipation of a 100% match of employee contributions up to 3% of employee salaries for the current fiscal year and \$109 for fiscal year 2012, to be contributed during 2014.

The Health System also sponsors a defined contribution retirement plan in accordance with Section 403(b) of the IRC. The Health System's expense related to this plan for the years ended June 30, 2013 and 2012 was \$1,802 and \$1,853, respectively, and is included in employee benefits in the accompanying consolidated statements of operations.

#### (10) Self-Insurance Programs

##### (a) *General and Professional Liability (GLPL)*

On December 14, 2004, the Health System formed a new wholly owned insurance subsidiary, Western Maryland Insurance Company, Ltd. (WMIC), an exempted company under the Companies Law of the Cayman Islands, to provide GLPL insurance to the Health System and certain affiliates. Effective January 1, 2005, this subsidiary insures the Health System for its GLPL risks under a claims-made policy with a limit of \$1,000 per claim and \$8,000 in the aggregate. Claims in excess of \$1,000 per claim and \$8,000 in the aggregate, up to a limit of \$25,000, have been reinsured with Zurich American Insurance Company, an independent third-party insurance company. The Health System's retained self-insurance risk under these policies is \$1,000 per occurrence.

Management's estimate of the liability for GLPL claims, including incurred but not reported claims, is principally based on actuarial estimates performed by an independent third-party actuary. The Health System's estimated liability for GLPL claims, including incurred but not reported claims, totaled \$14,247 and \$12,377 as of June 30, 2013 and 2012, respectively. These amounts are included in other noncurrent liabilities in the accompanying consolidated financial statements. While management believes that this liability is adequate as of June 30, 2013, the ultimate liability may

**WESTERN MARYLAND HEALTH SYSTEM CORPORATION**

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

exceed the amount recorded. Additionally, the Health System has recorded an additional insurance recoveries receivable of \$4,844 and \$3,854 as of June 30, 2013 and 2012, respectively, included in other noncurrent assets.

**(b) Workers' Compensation Insurance**

In 2013 and 2012, the Health System participated in a self-insured plan for workers' compensation claims. Stop-loss coverage has been purchased through a commercial carrier for claims in excess of \$400.

The Health System has accrued a liability of \$2,346 and \$2,586 as of June 30, 2013 and 2012, respectively, for known and incurred but not reported claims. Management believes this accrual is adequate to provide for all workers' compensation claims that have been incurred through June 30, 2013. Additionally, there are no material insurance recoveries related to workers' compensation as of June 30, 2013.

**(c) Health Insurance**

The Health System is self-insured for employee health claims. Under these self-insurance plans, the Health System has accrued a liability of \$1,957 and \$1,699 as of June 30, 2013 and 2012, respectively, for known claims and incurred but not reported claims. Management believes this accrual is adequate to provide for all employee health claims that may have been incurred through June 30, 2013. Additionally, there are no material insurance recoveries related to employee health claims as of June 30, 2013.

**(11) Lease Commitments**

Future minimum payments under noncancelable operating leases with terms in excess of one year or more for the years ending June 30 are as follows:

2014	\$	3,488
2015		2,693
2016		2,235
2017		2,076
2018		1,860
Thereafter		458
<b>Total</b>	<b>\$</b>	<b>12,810</b>

Rental expense under operating leases amounted to \$2,591 and \$2,748 for the years ended June 30, 2013 and 2012, respectively.

**WESTERN MARYLAND HEALTH SYSTEM CORPORATION**

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

**(12) Temporarily and Permanently Restricted Net Assets**

Temporarily and permanently restricted net assets as of June 30, 2013 and 2012 are available for the following purposes:

	2013	2012
Temporary restrictions:		
Specific support of healthcare services	\$ 4,790	2,862
Permanent restrictions:		
Trustee held assets to be held in perpetuity, the income from which primarily is expendable to support health care services	2,068	1,969

**(13) Fair Value of Financial Instruments**

**(a) Fair Value of Financial Instruments**

The following methods and assumptions were used by the Health System in estimating the fair value of their financial instruments:

*Cash and cash equivalents, investments, funds on deposit with trustee, board designated investments, patient accounts receivable, other assets, accounts payable, and accrued liabilities, payable to third-party payors, and other long term liabilities* – The carrying amounts reported in the consolidated balance sheets approximate the related fair values.

The fair value of a financial instrument is the amount 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. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Health System’s own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Health System based on the best information available in the circumstances.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

*Cash and cash equivalents, accounts receivable, due from affiliates, other assets, line of credit, accounts payable, advances from third-party payors, due to affiliates, and accrued expenses* – The carrying amounts, at face value or cost plus accrued interest, approximate fair value because of the short maturity of these instruments.

*Board designated and other investments* – Equity and debt securities classified as trading are measured using quoted market prices at the reporting date multiplied by the quantity held.

WESTERN MARYLAND HEALTH SYSTEM CORPORATION

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

**(b) Long-Term Debt**

The Series 2006 Bonds bear interest at fixed rates and, accordingly, had a carrying amount of \$317,915 and a fair value of \$326,368 as of June 30, 2013 and a carrying amount of \$325,360 and a fair value of \$344,886 as of June 30, 2012.

The fair value of the Health System's long-term debt is measured using quoted offered-side prices when quoted market prices are available. If quoted market prices are not available, the fair value is determined by discounting the future cash flows of each instrument at rates that reflect, among other things, market interest rates and the Health System's credit standing. In determining an appropriate spread to reflect its credit standing, the Health System considers credit default swap spreads, bond yields of other long-term debt offered by the Health System, and interest rates currently offered for similar debt instruments of comparable maturities by the Health System's bankers as well as other banks that regularly compete to provide financing to the Health System.

**(c) Fair Value Hierarchy**

The Health System adopted ASC Topic 820, *Fair Value Measurement*, on July 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Health System has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

**WESTERN MARYLAND HEALTH SYSTEM CORPORATION**

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

The table below presents assets that are measured at fair value as of June 30, 2013 aggregated by the three level valuation hierarchy:

	2013			
	Level 1	Level 2	Level 3	Total
Assets:				
U.S. government obligations	\$ 14,014	—	—	14,014
Money market funds	24,411	—	—	24,411
Corporate stocks and other	13,897	—	—	13,897
Fixed income securities	—	53,595	—	53,595
Total assets	<u>\$ 52,322</u>	<u>53,595</u>	<u>—</u>	<u>105,917</u>

The table below presents assets that are measured at fair values as of June 30, 2012 aggregated by the three level valuation hierarchy:

	2012			
	Level 1	Level 2	Level 3	Total
Assets:				
U.S. government obligations	\$ 6,346	—	—	6,346
Money market funds	2,695	—	—	2,695
Corporate stocks and other	12,056	—	—	12,056
Fixed income securities	—	62,660	—	62,660
Total assets	<u>\$ 21,097</u>	<u>62,660</u>	<u>—</u>	<u>83,757</u>

For the years ended June 30, 2013 and June 30, 2012, there were no significant transfers between levels 1, 2 or 3.

The table below presents the pension plan's investable assets as of June 30, 2013 aggregated by the three level valuation hierarchy:

	2013			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	\$ 453	—	—	453
Mutual funds	38,329	—	—	38,329
Fixed income securities	—	34,051	—	34,051
Other funds	—	80,041	7,220	87,261
Total assets	<u>\$ 38,782</u>	<u>114,092</u>	<u>7,220</u>	<u>160,094</u>

**WESTERN MARYLAND HEALTH SYSTEM CORPORATION**

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

The table below presents the pension plan's investable assets as of June 30, 2012 aggregated by the three level valuation hierarchy:

	2012			Total
	Level 1	Level 2	Level 3	
Assets:				
Money market funds	\$ 7,430	—	—	7,430
Mutual funds	126,680	—	—	126,680
Fixed income securities	—	6,365	—	6,365
Other funds	—	7,671	—	7,671
Total assets	\$ 134,110	14,036	—	148,146

During fiscal year 2013 transfers of \$80,041 were made between Level 1 and Level 2 and transfers of \$7,220 were made between Level 2 and Level 3 related to changes in liquidity.

**(14) Commitments and Contingencies**

*(a) Litigation*

From time to time, the Health System and its subsidiaries are involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Health System's future financial position or results from operations.

*(b) Other Matters*

The Health System has contracts with various physician groups to provide certain emergency, obstetric, and surgical services. Those contracts include certain income guarantee levels, which eliminate as volumes related to services provided increase. The Health System paid \$1,872 and \$1,854 related to the guarantee provisions of the contracts in 2013 and 2012, respectively.

**(15) Regulation and Reimbursement**

The Health System provides health care services primarily through one general acute care hospital. The Health System and other healthcare providers in Maryland are subject to certain inherent risks, including the following:

- Dependence on revenues derived from reimbursement by the federal Medicare and state Medicaid programs;
- Regulation of hospital rates by the HSCRC;
- Government regulation, government budgetary constraints and proposed legislative and regulatory changes; and
- Lawsuits alleging malpractice and related claims.

## WESTERN MARYLAND HEALTH SYSTEM CORPORATION

### Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

Such inherent risks require the use of certain management estimates in the preparation of the Health System's consolidated financial statements and it is reasonably possible that a change in such estimates may occur.

The Medicare and state Medicaid reimbursement programs represent a substantial portion of the Health System's revenues and the Health System's operations are subject to a variety of other federal, state and local regulatory requirements. Failure to maintain required regulatory approvals and licenses and/or changes in such regulatory requirements could have a significant adverse effect on the Health System.

Change in federal and state reimbursement funding mechanisms and related government budgetary constraints could have a significant adverse effect on the Health System.

The current rate of reimbursement for services to patients under the Medicare and Medicaid programs is based on an agreement between the Center for Medicaid and Medicare Services (CMS) and the HSCRC. This agreement is based upon a waiver from Medicare prospective pay system reimbursement principles granted to the State of Maryland under Section 1814(b) of the Social Security Act and will continue as long as all third-party payors elect to be reimbursed in Maryland under this program and the rate of increase for costs per hospital inpatient admission in Maryland is below the national average.

On November 16, 2010, the Health System and the HSCRC agreed to a three-year contract for the Health System to implement the TPR methodology, effective July 1, 2010. The TPR agreement establishes a prospective, fixed revenue base "TPR cap," for the upcoming year. This includes both inpatient and outpatient regulated services. Under TPR, the Health System's revenue for all HSCRC regulated services is predetermined for the upcoming year, regardless of changes in volume, service mix intensity, or mix of inpatient or outpatient services that occurred during the year. The TPR agreement allows the Health System to adjust unit rates, within certain limits, to achieve the overall revenue base for the Health System at year end. Any overcharge or undercharge versus the TPR cap is prospectively added to the subsequent year's TPR cap. Although the TPR cap does not adjust for changes in volume or service mix, the TPR cap is adjusted annually for inflation, and for changes in payor mix and uncompensated care. Beginning in year three of the three-year contract, the Health System will receive an annual adjustment to its cap for the change in population in the Health System's service area. TPR is designed to encourage hospitals to operate efficiently by reducing utilization and managing patients in the appropriate care delivery setting.



**WESTERN MARYLAND HEALTH SYSTEM CORPORATION**

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

**(16) Noncontrolling Interest**

Effective June 30, 2012, the Health System adopted accounting guidance that requires a not-for-profit reporting entity to account for and present noncontrolling interests in a consolidated subsidiary as separate component of the appropriate class of consolidated net assets (equity). The reconciliation of noncontrolling interest reported in unrestricted net assets is as follows:

	<u>WMHS Corporation</u>	<u>Noncontrolling interest</u>	<u>Unrestricted net assets</u>
Balance at June 30, 2011	\$ 152,651	2,031	154,682
Operating income	(10,467)	4,628	(5,839)
Nonoperating income	8,085	—	8,085
Excess of revenues over expenses	(2,382)	4,628	2,246
Change in funded status of pension plan	(39,795)	—	(39,795)
Net assets released for purchase of property and equipment	808	—	808
Distributions to noncontrolling interest in consolidated subsidiaries	—	(4,565)	(4,565)
Change in net assets	(41,369)	63	(41,306)
Balance at June 30, 2012	111,282	2,094	113,376
Operating income	10,403	2,296	12,699
Nonoperating income	5,117	—	5,117
Excess of revenues over expenses	15,520	2,296	17,816
Change in funded status of pension plan	22,506	—	22,506
Net assets released for purchase of property and equipment	428	—	428
Distributions to noncontrolling interest in consolidated subsidiaries	—	(2,880)	(2,880)
Asbestos liability adjustment	345	—	345
Change in net assets	38,799	(584)	38,215
Balance at June 30, 2013	\$ 150,081	1,510	151,591

**ESTERN MARYLAND HEALTH SYSTEM CORPORATION**

- Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

**(17) Functional Expenses**

The Health System considers healthcare services and general and administrative to be its primary functional categories for purposes of expense classification. The Health System's operating expenses by functional classification are as follows for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Healthcare services	\$ 256,948	261,418
General and administrative	<u>31,434</u>	<u>33,303</u>
	<u>\$ 288,382</u>	<u>294,721</u>

**(18) Subsequent Events**

Management evaluated all events and transactions that occurred after June 30, 2013 and through October 18, 2013. The Health System did not have any material recognizable subsequent events during this period.

## WESTERN MARYLAND HEALTH SYSTEM CORPORATION

Consolidating Balance Sheet Information

June 30, 2013

(Dollars in thousands)

Assets	Western Maryland Health System Corporation	Frostburg Nursing & Rehabilitation Center	Haystack Consolidated Services, Inc.	Western Maryland Health System Foundation Inc.	Eliminations	Consolidated
Current assets:						
Cash and cash equivalents	\$ 42,220	6,465	1,431	1,837	—	51,953
Short-term investments	39,022	—	674	3,832	—	43,528
Funds on deposit with trustee	15,476	—	—	—	—	15,476
Accounts receivable, net	39,076	1,771	—	—	—	40,847
Pledge receivable, net	—	—	—	605	—	605
Other receivables, net	5,063	—	571	7	(867)	4,774
Inventories and other current assets	12,891	1	—	5	(2,647)	10,250
Total current assets	153,748	8,237	2,676	6,286	(3,514)	167,433
Funds on deposit with trustee	36,439	—	—	—	—	36,439
Board designated investments	5,465	—	—	—	—	5,465
Other long-term investments	78	—	—	327	—	405
Investments restricted by donor or grantor	334	—	—	4,270	—	4,604
Beneficial interest in trustee held and Foundation's assets	—	—	—	1,823	—	1,823
Property and equipment, net	332,025	311	—	—	—	332,336
Unamortized financing fees	3,997	—	—	—	—	3,997
Investments in affiliates	18,375	—	63	—	—	18,438
Other assets	5,228	—	—	—	—	5,228
Total assets	\$ 555,689	8,548	2,739	12,706	(3,514)	576,168

## WESTERN MARYLAND HEALTH SYSTEM CORPORATION

Consolidating Balance Sheet Information

June 30, 2013

(Dollars in thousands)

	Western Maryland Health System Corporation	Frostburg Nursing & Rehabilitation Center	Haystack Consolidated Services, Inc.	Western Maryland Health System Foundation Inc.	Eliminations	Consolidated
<b>Liabilities and Net Assets</b>						
<b>Current liabilities:</b>						
Current portion of long-term debt	\$ 8,229	—	—	—	—	8,229
Accounts payable and accrued liabilities	6,500	1,394	1,603	865	(3,514)	6,848
Accrued bond interest payable	7,691	—	—	—	—	7,691
Accrued salaries and benefits	13,931	278	—	—	—	14,209
Payable to third-party payors	6,956	—	—	—	—	6,956
Total current liabilities	43,307	1,672	1,603	865	(3,514)	43,933
Long-term debt, net of current portion	319,773	—	—	—	—	319,773
Pension benefits in excess of pension assets	39,047	—	—	—	—	39,047
Other liabilities	14,966	—	—	—	—	14,966
Total liabilities	417,093	1,672	1,603	865	(3,514)	417,719
<b>Net assets:</b>						
Unrestricted:						
Unrestricted net assets	136,752	6,876	1,136	5,317	—	150,081
Noncontrolling interest in consolidated subsidiaries	1,510	—	—	—	—	1,510
Total unrestricted net assets	138,262	6,876	1,136	5,317	—	151,591
Temporarily restricted	89	—	—	4,701	—	4,790
Permanently restricted	245	—	—	1,823	—	2,068
Total net assets	138,596	6,876	1,136	11,841	—	158,449
Total liabilities and net assets	\$ 555,689	8,548	2,739	12,706	(3,514)	576,168

See accompanying independent auditors' report.

## WESTERN MARYLAND HEALTH SYSTEM CORPORATION

Consolidating Statement of Operations Information

Year ended June 30, 2013

(Dollars in thousands)

	Western Maryland Health System Corporation (see note 1)	Frostburg Nursing & Rehabilitation Center	Haystack Consolidated Services, Inc.	Western Maryland Health System Foundation Inc.	Eliminations	Consolidated
Unrestricted revenues, gains and other support:						
Patient service revenue (net of contractual allowances and charity)	\$ 291,542	7,230	—	—	—	298,772
Provision for bad debts	(6,920)	(594)	—	—	—	(7,514)
Net patient service revenue	284,622	6,636	—	—	—	291,258
Other revenue	10,213	10	—	—	(400)	9,823
Total revenues, gains and other support	294,835	6,646	—	—	(400)	301,081
Expenses:						
Salaries and wages	100,731	3,366	—	—	—	104,097
Employee benefits	38,643	1,102	—	—	—	39,745
Professional fees	11,367	70	—	—	—	11,437
Purchased services	17,779	751	—	343	(343)	18,530
Supplies	54,416	607	—	3	(3)	55,023
Utilities	3,824	178	—	—	—	4,002
Insurance	4,929	3	—	2	(2)	4,932
Interest	15,457	—	—	—	—	15,457
Depreciation and amortization	27,195	62	—	—	—	27,257
Other	7,153	683	8	110	(52)	7,902
Total expenses	281,494	6,822	8	458	(400)	288,382
Operating income (loss)	13,341	(176)	(8)	(458)	—	12,699

## WESTERN MARYLAND HEALTH SYSTEM CORPORATION

## Consolidating Statement of Operations Information

Year ended June 30, 2013

(Dollars in thousands)

	Western Maryland Health System Corporation	Frostburg Nursing & Rehabilitation Center	Haystack Consolidated Services, Inc.	Western Maryland Health System Foundation Inc.	Eliminations	Consolidated
Nonoperating income:						
Equity in income of affiliates	\$ 1,479	—	(55)	—	—	1,424
Investment income	2,370	7	19	186	—	2,582
Unrealized gains (losses) on trading portfolio	190	—	(6)	444	—	628
Other	287	—	—	196	—	483
Total nonoperating income	4,326	7	(42)	826	—	5,117
Excess (deficiency) of revenues over (under) expenses	\$ 17,667	(169)	(50)	368	—	17,816

See accompanying independent auditors' report.

## WESTERN MARYLAND HEALTH SYSTEM CORPORATION

## Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2013

(Dollars in thousands)

	Western Maryland Health System Corporation	Frostburg Nursing & Rehabilitation Center	Haystack Consolidated Services, Inc.	Western Maryland Health System Foundation Inc.	Consolidated
Unrestricted net assets:					
Balance at June 30, 2012	\$ 100,196	7,045	1,186	4,949	113,376
Excess of revenues over expenses	17,667	(169)	(50)	368	17,816
Change in funded status of pension plan	22,506	—	—	—	22,506
Net assets released for purchase of property and equipment	428	—	—	—	428
Asbestos liability adjustment	345	—	—	—	345
Distributions to noncontrolling interest in consolidated interest	(2,880)	—	—	—	(2,880)
Balance at June 30, 2013	138,262	6,876	1,136	5,317	151,591
Temporarily restricted net assets:					
Balance at June 30, 2012	492	—	—	2,370	2,862
Investment income	—	—	—	(7)	(7)
Donations	406	—	—	2,774	3,180
Grants	43	—	—	26	69
Net assets released from restrictions used for operations	(424)	—	—	(462)	(886)
Net assets released for purchase of property and equipment	(428)	—	—	—	(428)
Balance at June 30, 2013	89	—	—	4,701	4,790
Permanently restricted net assets:					
Balance at June 30, 2012	241	—	—	1,728	1,969
Change in beneficial interest of trustee-held assets	4	—	—	95	99
Balance at June 30, 2013	245	—	—	1,823	2,068
Net assets at June 30, 2013	\$ 138,596	6,876	1,136	11,841	158,449

See accompanying independent auditors' report.