

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No. 1545-0047

2011

Open to Public Inspection

Name of the organization PENINSULA REGIONAL MEDICAL CENTER	Employer identification number 52-0591628
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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 - Other

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?

	Yes	No
11g(i)		
- (ii) A family member of a person described in (i) above?

	Yes	No
11g(ii)		
- (iii) A 35% controlled entity of a person described in (i) or (ii) above?

	Yes	No
11g(iii)		

h Provide the following information about the supported organization(s).

(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 support
			Yes	No	Yes	No	Yes	No	
(A)									
(B)									
(C)									
(D)									
(E)									
Total									

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) 2007, (b) 2008, (c) 2009, (d) 2010, (e) 2011, (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) 2007, (b) 2008, (c) 2009, (d) 2010, (e) 2011, (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; 13 First five years.

Section C. Computation of Public Support Percentage

Table with 2 columns: Description, Percentage. Rows include: 14 Public support percentage for 2011; 15 Public support percentage from 2010 Schedule A; 16a 33 1/3% support test - 2011; b 33 1/3% support test - 2010; 17a 10%-facts-and-circumstances test - 2011; b 10%-facts-and-circumstances test - 2010; 18 Private foundation.

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

Calendar year (or fiscal year beginning in) ►	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b.						
8 Public support (Subtract line 7c from line 6.)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6.						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part 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 <input type="checkbox"/>						

Section C. Computation of Public Support Percentage

15 Public support percentage for 2011 (line 8, column (f) divided by line 13, column (f))	15	%
16 Public support percentage from 2010 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2011 (line 10c, column (f) divided by line 13, column (f))	17	%
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18	%

- 19a 33 1/3% support tests - 2011.** 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 - 2010.** 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).

Schedule of Contributors

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

2011

Name of the organization PENINSULA REGIONAL MEDICAL CENTER	Employer identification number 52-0591628
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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 PENINSULA REGIONAL MEDICAL CENTER	Employer identification number 52-0591628
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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		\$ 149,246.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
2		\$ 20,547.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
3		\$ 42,857.	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.)
		\$	Person <input 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 **PENINSULA REGIONAL MEDICAL CENTER**

Employer identification number

52-0591628

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 PENINSULA REGIONAL MEDICAL CENTER

Employer identification number
52-0591628

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 C
(Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No. 1545-0047

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ **Complete if the organization is described below.** ▶ **Attach to Form 990 or Form 990-EZ.**

▶ **See separate instructions.**

2011

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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

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

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

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

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

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

Name of organization PENINSULA REGIONAL MEDICAL CENTER	Employer identification number 52-0591628
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Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

- 1 Provide a description of the organization's direct and indirect political campaign activities in Part IV.
- 2 Political expenditures ▶ \$ _____
- 3 Volunteer hours _____

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

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

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

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

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

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

Schedule C (Form 990 or 990-EZ) 2011

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

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
1 a	Total lobbying expenditures to influence public opinion (grass roots lobbying)														
b	Total lobbying expenditures to influence a legislative body (direct lobbying)														
c	Total lobbying expenditures (add lines 1a and 1b)														
d	Other exempt purpose expenditures														
e	Total exempt purpose expenditures (add lines 1c and 1d)														
f	Lobbying nontaxable amount. Enter the amount from the following table in both columns.														
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">If the amount on line 1e, column (a) or (b) is:</th> <th>The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e.</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000.</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000.</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000.</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000.</td> </tr> </tbody> </table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e.	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.	Over \$17,000,000	\$1,000,000.		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e.														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.														
Over \$17,000,000	\$1,000,000.														
g	Grassroots nontaxable amount (enter 25% of line 1f)														
h	Subtract line 1g from line 1a. If zero or less, enter -0-														
i	Subtract line 1f from line 1c. If zero or less, enter -0-														
j	If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input type="checkbox"/> No												

4-Year Averaging Period Under Section 501(h)
(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f on page 4.)

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2 a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column (e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

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

Table with 3 main columns: (a) Yes/No, (b) Amount. Rows include: 1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation...; 2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?

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

Table with 3 columns: Question, Yes, No. Rows include: 1 Were substantially all (90% or more) dues received nondeductible by members?; 2 Did the organization make only in-house lobbying expenditures of \$2,000 or less?; 3 Did the organization agree to carry over lobbying and political expenditures from the prior year?

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

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

Part IV Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1; Part I-B, line 4; Part I-C, line 5; Part II-A; and Part II-B, line 1. Also, complete this part for any additional information.

SEE PAGE 4

Part IV Supplemental Information (continued)

OTHER ACTIVITIES

PART II-B, LINE 1I

PENINSULA REGIONAL MEDICAL CENTER PAYS DUES TO ORGANIZATIONS THAT LOBBY
FEDERAL AND STATE LEGISLATORS ON BEHALF OF HOSPITALS AND HEALTH SYSTEMS.
THE PORTION OF DUES PAID TO THE AMERICAN HOSPITAL ASSOCIATION AND THE
MARYLAND HOSPITAL ASSOCIATION ATTRIBUTABLE TO LOBBYING DURING FY 2012
TOTALLED \$28,836.

SCHEDULE D (Form 990)

Supplemental Financial Statements

OMB No. 1545-0047

2011

Open to Public Inspection

Department of the Treasury Internal Revenue Service

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.

Name of the organization

PENINSULA REGIONAL MEDICAL CENTER

Employer identification number

52-0591628

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, subject to the organization's exclusive legal control?, 6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit?

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

Table with 2 columns: Held at the End of the Tax Year. Rows include: 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, 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 XIV, 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.

Table with 2 columns: \$, \$, \$, \$. Rows include: 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 XIV, the text of the footnote to its financial statements that describes these items. 1b 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) 2011

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 XIV.

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 XIV 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 XIV.

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	34,191,392.	28,295,999.	25,231,843.	29,317,177.	
b Contributions	12,685.	105,500.	206,865.	110,900.	
c Net investment earnings, gains, and losses	801,060.	6,047,698.	3,074,487.	-4,000,545.	
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses	271,030.	257,805.	217,196.	195,689.	
g End of year balance	34,734,107.	34,191,392.	28,295,999.	25,231,843.	

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

- a Board designated or quasi-endowment ▶ 50.8250 %
- b Permanent endowment ▶ .1530 %
- c Temporarily restricted endowment ▶ 49.0220 %

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 XIV 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		10,636,389.		10,636,389.
b Buildings		199,046,366.	58,823,259.	140,223,107.
c Leasehold improvements				
d Equipment		221,877,626.	180,781,833.	41,095,793.
e Other		13,857,282.	5,577,954.	8,279,328.
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				200,234,617.

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) _____		
Total. (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) _____		
Total. (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) INVESTMENT IN PARTNERSHIP	950,793.
(2) UNAMORTIZED FINANCING COSTS	2,352,419.
(3) OTHER ASSETS	3,104,051.
(4) DEBT SERVICE RESERVE FUND	9,311,461.
(5) DONOR RESTRICTED FUND	24,488,500.
(6) SELF-INSURANCE FUND	13,003,852.
(7) BOARD DESIGNATED INVESTMENTS	16,745,671.
(8) _____	
(9) _____	
(10) _____	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 15.)	69,956,747.

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

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2) ADVANCES FROM THIRD PARTY PAYORS	9,957,866.
(3) ACCRUED SELF INSURANCE LIABILITIES	11,069,951.
(4) OTHER LIABILITIES	2,539,346.
(5) EMP. COMP. RELATED PAYROLL TAX	13,505,228.
(6) PENSION FUNDING LIABILITY	9,112,464.
(7) _____	
(8) _____	
(9) _____	
(10) _____	
(11) _____	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.)	46,184,855.

2. FIN 48 (ASC 740) Footnote. In Part XIV, 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).

Part XI Reconciliation of Change in Net Assets from Form 990 to Audited Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	389,456,366.
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	375,429,637.
3	Excess or (deficit) for the year. Subtract line 2 from line 1	3	14,026,729.
4	Net unrealized gains (losses) on investments	4	-868,468.
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV.)	8	-10,965,125.
9	Total adjustments (net). Add lines 4 through 8	9	-11,833,593.
10	Excess or (deficit) for the year per audited financial statements. Combine lines 3 and 9	10	2,193,136.

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements	1	389,954,664.
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:		
a	Net unrealized gains on investments	2a	-868,468.
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV.)	2d	2,614,558.
e	Add lines 2a through 2d	2e	1,746,090.
3	Subtract line 2e from line 1	3	388,208,574.
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	1,111,235.
b	Other (Describe in Part XIV.)	4b	136,557.
c	Add lines 4a and 4b	4c	1,247,792.
5	Total revenue. Add lines 3 and 4c. (This must equal Form 990, Part I, line 12.)	5	389,456,366.

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements	1	374,161,168.
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 XIV.)	2d	179,333.
e	Add lines 2a through 2d	2e	179,333.
3	Subtract line 2e from line 1	3	373,981,835.
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	1,111,235.
b	Other (Describe in Part XIV.)	4b	336,567.
c	Add lines 4a and 4b	4c	1,447,802.
5	Total expenses. Add lines 3 and 4c. (This must equal Form 990, Part I, line 18.)	5	375,429,637.

Part XIV 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, line 8; Part XII, lines 2d and 4b; and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

SEE PAGE 5

Part XIV Supplemental Information (continued)

INTENDED USE OF ENDOWMENT FUNDS

PART V, LINE 4

THE ORGANIZATION'S ENDOWMENT FUNDS ARE USED FOR CAPITAL, PATIENT SERVICES
OR EDUCATIONAL PURPOSES.

FIN 48 FOOTNOTE

PART X, LINE 2

THE ORGANIZATION DID NOT HAVE ANY UNCERTAIN TAX POSITIONS THAT WERE
MATERIAL TO THE FINANCIAL STATEMENTS. ACCORDINGLY, THE ORGANIZATION DID
NOT INCLUDE A FIN 48 FOOTNOTE IN ITS AUDITED FINANCIAL STATEMENTS.

RECONCILIATION

PARTS XI - XIII

PART XI, LINE 8 -

PENSION ADJUSTMENT - FAS 158	\$(14,092,708)
INVESTMENT INCOME SWAP	2,131,445
CHANGE IN EQUITY INTEREST OF FOUNDATION	931,783
CAPITAL CAMPAIGN TRANSFERS FROM FOUNDATION	332
U/R NET ASSETS RELEASED FROM RESTRICTION	40,325
ENDOWMENT DONATIONS	(12,685)
NET ASSETS RELEASED FROM RESTRICTION	(267,401)
PARTNERSHIP K-1 INCOME ON RETURN NOT ON BOOKS	303,790
ROUNDING	(6)

TOTAL	\$(10,965,125)
	=====

Part XIV Supplemental Information (continued)

PART XII, LINE 2D -

RENT EXPENSE NETTED AGAINST REVENUE	\$ 179,333
PARTNERSHIP K-1 BOOK TO TAX	303,790
BASIS SWAP INCOME	\$2,131,435

	\$2,614,558
	=====

PART XII - LINE 4B -

FOUNDATION CONTRIBUTIONS	\$136,557
	=====

PART XIII - LINE 2D -

RENT EXPENSE NETTED AGAINST REVENUE	\$179,333
	=====

PART XIII - LINE 4B -

OTHER EXPENSES ON PREMIER K-1	\$ 10
FOUNDATION CONTRIBUTIONS	136,557
MANAGEMENT FEES RECLASSIFIED FROM EXPENSES	200,000

	\$336,567
	=====

**SCHEDULE H
(Form 990)**

Hospitals

OMB No. 1545-0047

2011

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

Name of the organization: **PENINSULA REGIONAL MEDICAL CENTER** Employer identification number: **52-0591628**

Part I Financial Assistance and Certain Other Community Benefits at Cost

	Yes	No
1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	X	
b If "Yes," was it a written policy?	X	
2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year. <input checked="" type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities		
3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year.		
a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care: <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ %	X	
b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care: <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input checked="" type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %	X	
c If the organization did not use FPG to determine 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, to determine eligibility for free or discounted care.		
4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	X	
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	X	
b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	X	
c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		X
6a Did the organization prepare a community benefit report during the tax year?	X	
b If "Yes," did the organization make it available to the public?	X	

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

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			15,312,109.		15,312,109.	4.27
b Medicaid (from Worksheet 3, column a)						
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			15,312,109.		15,312,109.	4.27
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)		52872	1,692,659.	316,904.	1,375,755.	.38
f Health professions education (from Worksheet 5)		1466	804,863.	43,028.	761,835.	.21
g Subsidized health services (from Worksheet 6)		27258	9,414,847.	3,237,036.	6,177,811.	1.72
h Research (from Worksheet 7)			3,973.		3,973.	
i Cash and in-kind contributions for community benefit (from Worksheet 8)		5258	145,303.	420.	144,883.	.04
j Total Other Benefits		86854	12,061,645.	3,597,388.	8,464,257.	2.35
k Total. Add lines 7d and 7j.		86854	27,373,754.	3,597,388.	23,776,366.	6.62

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

Schedule H (Form 990) 2011

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			910.		910.	
3 Community support			11,776.		11,776.	
4 Environmental improvements			143,802.		143,802.	.04
5 Leadership development and training for community members						
6 Coalition building			17,506.		17,506.	
7 Community health improvement advocacy						
8 Workforce development			2,028.		2,028.	
9 Other						
10 Total			176,022.		176,022.	.04

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

- 1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?
- 2 Enter the amount of the organization's bad debt expense
- 3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy
- 4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.

	Yes	No
1	X	
2		
3		
5		
6		
7		
9a	X	
9b	X	

Section B. Medicare

- 5 Enter total revenue received from Medicare (including DSH and IME)
- 6 Enter Medicare allowable costs of care relating to payments on line 5
- 7 Subtract line 6 from line 5. This is the surplus (or shortfall)
- 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:
 Cost accounting system Cost to charge ratio Other

Section C. Collection Practices

- 9a Did the organization have a written debt collection policy during the tax year?
- 9b 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

Part IV Management Companies and Joint Ventures (see instructions)

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

Part 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; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.
- 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.

SUPPLEMENTAL INFORMATION

PART I, LINE 3C

N/A

PART I, LINE 6A

PENINSULA REGIONAL MEDICAL CENTER FILES ANNUALLY A COMMUNITY BENEFIT REPORT WITH THE STATE OF MARYLAND. THE REPORT IS FILED WITH THE HSCRC (HEALTH SERVICES COST REVIEW COMMISSION).

PART I, LINE 7:

LINE 7, COLUMN (F) - THE AMOUNT OF BAD DEBT EXPENSE EXCLUDED FROM THE DENOMINATOR IN THE COLUMN (F) PERCENTAGES IS \$16,616,061.

LINE 7B COLUMN (C) & (F)- 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 GOVERNMENTAL

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; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.
- 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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- 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.

PAYORS, PAY THE SAME AMOUNT FOR THE SAME SERVICES DELIVERED AT THE SAME HOSPITAL. 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 DIRECTED OFFSETTING REVENUE RELATED TO UNCOMPENSATED CARE. COMMUNITY BENEFIT EXPENSES ARE EQUAL TO MEDICAID REVENUES IN MARYLAND, AS SUCH, THE NET EFFECT IS ZERO. THE EXCEPTION TO THIS IS THE IMPACT ON THE HOSPITAL OF ITS SHARE OF THE MEDICAID ASSESSMENT. IN RECENT YEARS, THE STATE OF MARYLAND HAS CLOSED FISCAL GAPS IN THE STATE MEDICAID BUDGET BY ASSESSING HOSPITALS THROUGH THE RATE-SETTING SYSTEM.

THE COST METHODOLOGY FOR CHARITY CARE AND CERTAIN OTHER COMMUNITY BENEFITS IS THE COST-TO-CHARGE RATIO USED FOR THE CHARITY CARE PROGRAMS AND DIRECT COST METHOD FOR THE OTHER BENEFITS/PROGRAMS.

PART III, LINE 4

THE HOSPITAL PROVIDES SERVICES TO PATIENTS IN THE EASTERN SHORE AREA OF MARYLAND, DELAWARE AND VIRGINIA, THE MAJORITY OF WHOM ARE COVERED BY

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; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.
- 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.

THIRD-PARTY HEALTH INSURANCE. THE HOSPITAL BILLS THE INSURER DIRECTLY FOR SERVICES PROVIDED.

INSURANCE COVERAGE AND FINANCIAL INFORMATION IS OBTAINED FROM PATIENTS UPON ADMISSION WHEN AVAILABLE. THE HOSPITAL'S POLICY IS TO PERFORM IN-HOUSE COLLECTION PROCEDURES FOR APPROXIMATELY 85 DAYS. A DETERMINATION IS MADE AT THAT TIME AS TO WHAT ADDITIONAL COLLECTION EFFORTS TO PURSUE. A PROVISION FOR UNCOLLECTIBLE ACCOUNTS IS RECORDED FOR AMOUNTS NOT YET WRITTEN OFF, WHICH ARE EXPECTED TO BECOME UNCOLLECTIBLE.

DISCOUNTS RANGING FROM 2% TO 6% OF CHARGES ARE GIVEN TO MEDICARE, MEDICAID AND CERTAIN APPROVED COMMERCIAL HEALTH INSURANCE AND HEALTH MAINTENANCE ORGANIZATION PROGRAMS FOR REGULATED SERVICES. DISCOUNTS IN VARYING PERCENTAGES ARE GIVEN FOR CERTAIN UNREGULATED SERVICES. THESE MAJOR PAYORS ROUTINELY REVIEW PATIENT BILLINGS AND DENY PAYMENT FOR CERTAIN CHARGES AS MEDICALLY UNNECESSARY OR AS PERFORMED WITHOUT APPROPRIATE PREAUTHORIZATION. DISCOUNTS AND DENIALS ARE RECORDED AS REDUCTIONS OF NET PATIENT SERVICE REVENUE. ACCOUNTS RECEIVABLE FROM THESE

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; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.
- 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.

THIRD-PARTY PAYORS HAVE BEEN ADJUSTED TO REFLECT THE DIFFERENCE BETWEEN CHARGES AND THE ESTIMATED REIMBURSABLE AMOUNTS. APPROXIMATELY 37% AND 33%, RESPECTIVELY, OF ACCOUNTS RECEIVABLE WERE DUE FROM THE MEDICARE PROGRAM AS OF JUNE 30, 2012 AND 2011, RESPECTIVELY.

LAWS AND REGULATIONS GOVERNING MEDICARE AND MEDICAID PROGRAMS ARE COMPLEX AND SUBJECT TO INTERPRETATION. THE HOSPITAL BELIEVES THAT IT IS IN COMPLIANCE WITH ALL APPLICABLE LAWS AND REGULATIONS AND IS NOT AWARE OF ANY PENDING OR THREATENED INVESTIGATIONS INVOLVING ALLEGATIONS OF POTENTIAL WRONGDOING THAT WOULD HAVE A MATERIAL EFFECT ON THE FINANCIAL STATEMENTS. COMPLIANCE WITH SUCH LAWS AND REGULATIONS CAN BE SUBJECT TO FUTURE GOVERNMENT REVIEW AND INTERPRETATION AS WELL AS SIGNIFICANT REGULATORY ACTION INCLUDING FINES, PENALTIES AND EXCLUSION FROM MEDICARE AND MEDICAID PROGRAMS.

BAD DEBT METHODOLOGY - PENINSULA REGIONAL MEDICAL CENTER IS A TAX-EXEMPT NOT-FOR-PROFIT HOSPITAL THAT PROVIDES QUALITY MEDICAL SERVICES TO PATIENTS REGARDLESS OF THEIR ABILITY TO PAY. BY PROVIDING MEDICAL

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; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.
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SERVICES TO ALL COMMUNITY MEMBERS REGARDLESS OF THEIR ABILITY TO PAY, THE HOSPITAL'S BAD DEBT EXPENSE QUALIFIES AS A COMMUNITY BENEFIT. THE BAD DEBT EXPENSE CALCULATED ON LINE 2 WAS CALCULATED USING THE PATIENT CARE COST TO CHARGES METHODOLOGY

PART III, LINE 8

MEDICARE ALLOWABLE COSTS WERE CALCULATED USING A COST TO CHARGE RATIO. PENINSULA REGIONAL MEDICAL CENTER PROVIDES QUALITY MEDICAL SERVICES TO ALL PATIENTS REGARDLESS OF WHAT INSURANCE THEY HAVE. APPROXIMATELY, 48.2% OF THE MEDICAL CENTER'S REVENUE IS ATTRIBUTABLE TO MEDICARE PATIENTS DURING THE YEAR ENDED JUNE 30, 2012.

PART III, LINE 9B

COLLECTION POLICIES ARE THE SAME FOR ALL PATIENTS. IF A PATIENT NOTIFIES THE MEDICAL CENTER ABOUT THEIR INABILITY TO PAY, THE MEDICAL CENTER WILL SEND THEM THE CHARITY CARE AND FINANCIAL ASSISTANCE FORMS TO FILL OUT. ONCE THE FORMS ARE COMPLETE AND RETURNED TO THE MEDICAL CENTER AND THE PATIENT QUALIFIES FOR FINANCIAL ASSISTANCE, THEN THE PATIENT'S ACCOUNT

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; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.
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WILL BE REMOVED FROM COLLECTIONS AND THE ACCOUNT WILL BE WRITTEN OFF.

PART V, LINE 13G

PENINSULA REGIONAL MEDICAL CENTER PUBLISHES ANNUALLY AN ADVERTISEMENT IN THE LOCAL NEWSPAPER ANNOUNCING THE AVAILABILITY OF FREE OR REDUCED COST CARE.

PART V, LINE 19D

PENINSULA REGIONAL MEDICAL CENTER IS A MARYLAND HOSPITAL. AS SUCH PATIENTS AND ALL INSURANCE COMPANIES, INCLUDING MEDICARE & MEDICAID, PAY THE SAME RATE. THIS RATE IS DETERMINED BY THE STATE AGENCY, THE MARYLAND HEALTH SERVICES COST REVIEW COMMISSION.

PART V, LINE 21

PENINSULA REGIONAL MEDICAL CENTER IS A MARYLAND HOSPITAL. AS SUCH, PATIENTS AND ALL INSURANCE COMPANIES INCLUDING MEDICARE & MEDICAID PAY THE GROSS CHARGE.

Part VI Supplemental Information

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PART VI, LINE 2

PENINSULA REGIONAL MEDICAL CENTER IN COOPERATION WITH THE WICOMICO, WORCESTER AND SOMERSET COUNTIES, HEALTH DEPARTMENTS, THE ATLANTIC GENERAL HOSPITAL AND THE EDWARD W. MCCREADY MEMORIAL HOSPITAL, HAS BEEN CONDUCTING COMMUNITY HEALTH SURVEYS OF THE TRI-COUNTY AREA SINCE 1995. THESE SURVEYS, ADMINISTERED BY PROFESSIONAL RESEARCH CONSULTANTS (PRC) OF OMAHA, NEBRASKA WERE ADMINISTERED IN 1995, 2000, 2004 AND 2009. IN ADDITION TO THESE ADULT SURVEYS, A SEPARATE ADOLESCENT SURVEY WAS CONDUCTED IN 2000, 2005, AND 2010.

RESULTS OF THESE SURVEYS ARE USED BY THE PARTICIPANTS TO ASSESS COMMUNITY HEALTH NEEDS AND PLAN FUTURE SERVICES. OF PARTICULAR NOTE WAS THE DEVELOPMENT OF THE TRI-COUNTY DIABETES ALLIANCE, WHICH IS A COOPERATIVE VENTURE BETWEEN ALL THE PARTNERS AND COMMUNITY AGENCIES TO REDUCE THE INCIDENCES OF DIABETES IN THE TRI-COUNTY AREA. OTHER OUTCOMES RESULTING FROM THE SURVEY FINDINGS INCLUDE SMOKING CESSATION PROGRAMS, OTHER EARLY DETECTION AND SCREENING PROGRAMS FOR HEART AND CANCER, AS WELL AS HEALTH PROMOTION AND EDUCATION WITH A FOCUS ON PREVENTION.

THE PRC COMMUNITY HEALTH ASSESSMENT IS A SYSTEMATIC,

Part VI Supplemental Information

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DATA-DRIVEN APPROACH TO DETERMINING THE HEALTH STATUS, BEHAVIORS AND NEEDS OF OUR COMMUNITY RESIDENTS. SURVEY RESULTS ARE SHARED WITH THE COMMUNITY AND ARE POSTED TO THE PARTICIPANTS WEBSITES. THIS COMMUNITY HEALTH ASSESSMENT SERVES AS A TOOL TOWARDS REACHING THE FOLLOWING THREE GOALS:

1. TO IMPROVE RESIDENTS' HEALTH STATUS, INCREASE THEIR LIFE SPANS, AND ELEVATE THEIR OVERALL QUALITY OF LIFE.
2. REDUCE THE HEALTH DISPARITIES AMONG RESIDENTS BY GATHERING DEMOGRAPHIC INFORMATION ALONG WITH HEALTH STATUS AND BEHAVIOR DATA.
3. TO INCREASE ACCESSIBILITY TO PREVENTIVE SERVICES FOR ALL COMMUNITY RESIDENTS.

PART VI, LINE 3

PENINSULA REGIONAL MEDICAL CENTER MAKES AVAILABLE TO ALL PATIENTS THE HIGHEST QUALITY OF MEDICAL CARE POSSIBLE WITHIN THE RESOURCES AVAILABLE. IF A PATIENT IS UNABLE TO PAY DUE TO FINANCIAL RESOURCES, ALL EFFORTS WILL BE MADE TO HELP THE PATIENT OBTAIN ASSISTANCE THROUGH APPROPRIATE AGENCIES, OR, IF HELP IS NOT AVAILABLE, TO PROVIDE CARE AT REDUCED OR

Part VI Supplemental Information

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ZERO COST. ONE OF PENINSULA REGIONAL'S OVERALL GUIDING PRINCIPLES IS THAT CONCERN OVER A HOSPITAL BILL SHOULD NEVER PREVENT ANY INDIVIDUAL FROM RECEIVING EMERGENCY HEALTH SERVICES THE MEDICAL CENTER WILL COMMUNICATE THIS MESSAGE CLEARLY TO PROSPECTIVE PATIENTS AND TO LOCAL COMMUNITY SERVICE AGENCIES AND MAKE IT CLEAR THAT EMERGENCY SERVICES WILL BE PROVIDED WITHOUT REGARD TO ABILITY TO PAY. THE MEDICAL CENTER WILL ENSURE THAT AN EMERGENCY ADMISSION OR TREATMENT IS NOT DELAYED OR DENIED PENDING DETERMINATION OF COVERAGE OR REQUIREMENT FOR PREPAYMENT OR DEPOSIT. THE MEDICAL CENTER WILL POST ADEQUATE NOTICE OF THE AVAILABILITY OF MEDICAL SERVICES, AND THE GENERAL OBLIGATION OF THE HOSPITAL TO PROVIDE CHARITY CARE. PENINSULA REGIONAL'S "FINANCIAL ASSISTANCE POLICY" INCLUDES THE REQUIRED LANGUAGE OF DETERMINATION OF PROBABLE ELIGIBILITY WITHIN TWO BUSINESS DAYS. ON PAGE 2, THE "FINANCIAL ASSISTANCE POLICY" STATES THAT UPON RECEIPT OF THE FINANCIAL ASSISTANCE REQUEST, THE REPRESENTATIVE WILL REVIEW INCOME AND ALL DOCUMENTATION. THE PATIENT MUST BE NOTIFIED WITHIN TWO BUSINESS DAYS OF THEIR PROBABLE ELIGIBILITY. IN ACCORDANCE WITH SECTION 1, 2 AND 3, PENINSULA REGIONAL PROVIDES PUBLIC NOTICE AND INFORMATION REGARDING ITS CHARITY CARE POLICY IN DELMARVA'S

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LARGEST PAPER "THE DAILY TIMES", POSTED SIGNS IN THE ADMISSION, BUSINESS OFFICE EMERGENCY ROOM AND OTHER MAJOR SERVICE AREAS OF THE MEDICAL CENTER; ADDITIONALLY INDIVIDUAL NOTICE IS PROVIDED TO EACH PERSON WHO SEEKS SERVICES IN THE MEDICAL CENTER AT THE TIME OF PRE-ADMISSION OR ADMISSION.

PART VI, LINE 4

PENINSULA REGIONAL IS LOCATED IN SALISBURY, MARYLAND . THE HOSPITAL'S SERVICE AREA IS PREDOMINATELY RURAL AND COVERS 6 COUNTIES LOCATED IN THREE DIFFERENT STATES: MARYLAND, DELAWARE AND VIRGINIA. SOME OF THE UNIQUE HEALTHCARE CHARACTERISTICS OF THESE COUNTIES INCLUDE A HIGH PREVALENCE OF DIABETES WHICH IS APPROXIMATELY TWICE THAT OF THE STATE OF MARYLAND. THERE IS A HIGHER INCIDENCE OF SKIN CANCER AND THE INCIDENCE RATE FOR HEART DISEASE IS STATISTICALLY SIGNIFICANTLY HIGHER THAN MARYLAND. IN ADDITION, THE MEDIAN INCOME IS LOWER THAN THAT OF MARYLAND AND EDUCATIONAL ATTAINMENT LAGS BEHIND THE STATES AVERAGE. THE MEDICAL CENTER'S PRIMARY SERVICE AREA IS COMPRISED OF THE MAJORITY OF ZIP CODES IN WICOMICO, WORCESTER, AND SOMERSET COUNTIES. AS OF JUNE 30, 2012 THESE

Part VI Supplemental Information

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COUNTIES CONTRIBUTED APPROXIMATELY 76 PERCENT OF PENINSULA REGIONAL'S TOTAL DISCHARGES. THE MEDICAL CENTER ALSO SERVICES DORCHESTER COUNTY, MARYLAND, THE SOUTHERN PORTION OF SUSSEX COUNTY, DELAWARE AND THE NORTHERN PORTION OF ACCOMACK COUNTY, VIRGINIA. THESE COUNTIES COMPRISED AN ADDITIONAL 21 PERCENT OF THE MEDICAL CENTER'S TOTAL DISCHARGES DURING THE SAME TIME PERIOD.

PATIENTS DISCHARGED FROM THE FOLLOWING GEOGRAPHICAL AREAS:

AREA	2012 DISCHARGES	%
-----	-----	-----
WICOMICO	10,810	50.8%
WORCESTER	3,243	15.2%
SOMERSET	2,168	10.2%
DORCHESTER,		
TALBOT, CAROLINE	592	2.8%
DELAWARE	2,486	11.7%
VIRGINIA	1,434	6.7%

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ALL OTHERS	540	2.5%
	-----	-----
TOTAL	21,273	100.0%

SOURCE: PENINSULA REGIONAL MEDICAL CENTER, FINANCIAL AND STATISTICAL REPORT, JUNE 30, 2012.

BETWEEN 2009 AND 2014, THE MEDICAL CENTER'S PRIMARY SERVICE AREA (WICOMICO, WORCESTER AND SOMERSET COUNTIES, MARYLAND) IS EXPECTED TO GROW 5.3 PERCENT OR SLIGHTLY MORE THAN 1 PERCENT PER YEAR. MUCH OF THIS GROWTH WILL BE EXPERIENCED IN WICOMICO COUNTY AT A RATE OF 6.8 PERCENT FOLLOWED BY WORCESTER COUNTY AT 3.4 PERCENT AND SOMERSET COUNTY AT 3.3 PERCENT. IN THE MEDICAL CENTER'S SECONDARY SERVICE AREA (DORCHESTER COUNTY, MARYLAND, SUSSEX COUNTY, DELAWARE, AND ACCOMACK COUNTY, VIRGINIA) THE POPULATION IS EXPECTED TO GROW 8 PERCENT OR 1.6 PERCENT PER YEAR OVER THE SAME TIME PERIOD. MOST OF THIS GROWTH (10.2 PERCENT) IS EXPECTED TO OCCUR IN SUSSEX COUNTY, DELAWARE.

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PART VI, LINE 5

PENINSULA REGIONAL MEDICAL CENTER IS COMMITTED TO THE HEALTH OF THE RURAL COMMUNITIES IT SERVES. IN FY 2012, THE HOSPITAL'S CHARITY CARE INCREASED 18.6% (\$15,662,292 TO \$18,575,221) FROM THE PREVIOUS YEAR. IN ADDITION, COMBINED CHARITY AND BAD DEBT FOR FY 2012 WAS \$35,191,282.

THE HEALTH OF THE COMMUNITY IS THE HOSPITAL'S MISSION PROVIDING QUALITY HEALTHCARE AND EASE OF ACCESS FOR A RURAL POPULATION. TO THAT END ,THE HOSPITAL HAS ESTABLISHED 9 PRIMARY CARE PHYSICIAN SATELLITE OFFICES LOCATED STRATEGICALLY THROUGHOUT THE SERVICE AREA. THESE SATELLITE LOCATIONS ADDRESS THE SPECIFIC DISEASES THAT ARE INDIGENT TO THESE RURAL AREAS. BASED ON THE INFORMATION GATHERED THROUGH THE MOST RECENT COMMUNITY HEALTH ASSESSMENT AND THE GUIDELINES SET FORTH IN HEALTHY PEOPLE 2010, THE FOLLOWING "HEALTH PRIORITIES" REPRESENT A SIGNIFICANT OPPORTUNITY FOR HEALTH IMPROVEMENT WHICH ARE BEING ADDRESSED BY THE HOSPITAL, PHYSICIAN SATELLITE OFFICES AND THE COUNTY HEALTH DEPARTMENTS:

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- DIABETES (AS A RESULT OF THE COMMUNITY HEALTH ASSESSMENT SURVEY, A TRI-COUNTY DIABETES ALLIANCE WAS ESTABLISHED TO HELP EDUCATE, CREATE AWARENESS, AND IMPROVE THE HEALTH OF PEOPLE WITH DIABETES AND THOSE AT RISK FOR DEVELOPING DIABETES) WWW.TRIDIABETES.ORG

- HEART DISEASE & STROKE
- NUTRITION
- ACCESS TO HEALTH CARE SERVICES

IN ADDITION TO THESE AREAS, THERE ARE MULTIPLE OTHER PRIORITIES AND CONTRIBUTING FACTORS THAT EACH PARTNER ASSESSED IN CONJUNCTION WITH THIS SURVEY. IN IDENTIFYING PRIORITIES FOR COMMUNITY ACTION AND DESIGNING STRATEGIES FOR IMPLEMENTATION, A NUMBER OF CRITERIA WERE APPLIED TO THE CONSIDERATION PROCESS, INCLUDING:

IMPACT: THE DEGREE TO WHICH THE ISSUE AFFECTS OR EXACERBATES OTHER QUALITY OF LIFE AND HEALTH-RELATED ISSUES.

MAGNITUDE: THE NUMBER OF PERSONS AFFECTED, ALSO TAKING INTO ACCOUNT VARIANCE FROM BENCHMARK DATA AND YEAR 2010 TARGETS.

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SERIOUSNESS: THE DEGREE TO WHICH THE PROBLEM LEADS TO DEATH,
DISABILITY OR IMPAIRS ONE'S QUALITY OF LIFE.

FEASIBILITY: THE ABILITY OF ORGANIZATIONS TO REASONABLY IMPACT THE
ISSUE, GIVEN AVAILABLE RESOURCES.

CONSEQUENCES OF INACTION:
THE RISK OF EXACERBATING THE PROBLEM BY NOT ADDRESSING
AT THE EARLIEST OPPORTUNITY.

EACH PARTNER WAS RESPONSIBLE FOR ENGAGING IN ACTIVITIES SPECIFIC TO THE
GEOGRAPHY WITHIN WHICH THEY OPERATE. EACH PARTNER USED THE RESULTS OF THE
SURVEY TO PLAN SCREENINGS AND/OR INTERVENTIONS TAILORED TO THE NEEDS OF
THEIR POPULATION. PARTNERS SHARED PLANS AND COLLABORATED WHERE POSSIBLE.

IN ADDITION TO THE PROGRAMS ALREADY PRESENTED, A NUMBER OF OTHER
INITIATIVES FROM THE COMMUNITY HEALTH SURVEY HAVE BEEN STARTED INCLUDING:

- UNDER THE PRIORITY AREA OF ACCESS TO CARE, ACCESS TO DENTAL

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SERVICES - PARTICULARLY FOR CHILDREN WAS IDENTIFIED. AS A RESULT, GRANTS AND GIFTS WERE RECEIVED TO EXPAND DENTAL PROGRAMS AT THE LOCAL HEALTH DEPARTMENT.

- FOR HEART DISEASE, A STATE GRANT SUPPLIED THE MONEY TO DO WORK SITE WELLNESS PROGRAMS INCLUDING SCREENINGS.

- FOR CANCER, MONEY FROM THE CIGARETTE RESTITUTION FUND WAS USED TO PROVIDE COLORECTAL SCREENINGS INCLUDING PREVENTION, EDUCATION, DIAGNOSIS AND TREATMENT. ADDITIONALLY, FUNDS WERE OBTAINED FROM A GRANT TO PROVIDE MAMMOGRAMS FOR LOW INCOME WOMEN.

- IN TERMS OF OBESITY, A THREE YEAR FEDERAL GRANT PROVIDED FUNDS TARGETED AT AFRICAN-AMERICAN FAMILIES TO PARTICIPATE IN A PROGRAM TO MAKE LIFESTYLE CHANGES, QUIT SMOKING, CONTROL THEIR BLOOD PRESSURE, EXERCISE (THROUGH A WALKING PROGRAM) AND MEETINGS WITH A NUTRITIONIST TO MODIFY THEIR EATING BEHAVIOR.

- FOR SUBSTANCE ABUSE, A NEW SUBOXONE (A HEROIN ALTERNATIVE) CLINIC WAS ESTABLISHED WITH GREAT SUCCESS. THIS IS THE ONLY SUCH CLINIC ON THE EASTERN SHORE.

- AND FINALLY, FOR MENTAL HEALTH CARE, A NEW CLINIC WHICH IS

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; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.
- 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.

CO-LOCATED IN A PRIMARY CARE SITE EXPANDS CARE FOR MENTAL HEALTH PATIENTS
WITHOUT THE STIGMA OF BEING SEEN IN A MENTAL HEALTH CLINIC.

COMMUNITY FLU SHOTS

THE MISSION OF THE MEDICAL CENTER IS TO "IMPROVE THE HEALTH OF THE
COMMUNITIES WE SERVE." IN FISCAL YEAR 2012, THE MEDICAL CENTER PROVIDED
780 FLU SHOTS (BELOW COST, WE DID ASK FOR A DONATION) THROUGH A THREE DAY
DRIVE-THRU FLU CAMPAIGN. THE AMOUNT OF COMMUNITY BENEFIT PROVIDED WAS
\$6,865.

PENINSULA PARTNERS

PENINSULA PARTNERS IS DESIGNED FOR INDIVIDUALS 55 AND OLDER AND IS A
SPECIAL PROGRAM PROVIDED AS A SERVICE TO OUR COMMUNITY ABSOLUTELY FREE.

PENINSULA PARTNERS MEMBERS WILL LEARN TIPS ON HEALTHY LIVING, ATTEND
SEMINARS AND PARTICIPATE IN HEALTH SCREENINGS. THIS PROGRAM PROVIDES:

- MONTHLY LIFESTYLE NEWSLETTER - FEATURING HEALTHY TIPS, IN DEPTH
HEALTH ARTICLES, ETC.
- SAFE DRIVING CLASSES

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; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.
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- 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.

- HEALTH SCREENINGS
- SOCIAL EVENTS
- INPATIENT VISITS
- SAFETY CLASSES
- SEMINARS ON VARIOUS HEALTH TOPICS

IN FY2012, PENINSULA PARTNERS HAD 6,405 ENCOUNTERS.

WAGNER WELLNESS VAN

PENINSULA REGIONAL'S WAGNER WELLNESS VAN DELIVERS HEALTH CARE ASSESSMENTS AND EDUCATION TO RURAL LOCATIONS WITHIN THE HOSPITALS SERVICE AREA. THE VAN HAS MULTIPLE USES AND MANY VENUES. IT IS ON SITE AT LOCAL COMMUNITY OUTDOOR FESTIVALS WITH STAFF PROVIDING THE FOLLOWING SCREENINGS: BLOOD PRESSURE, PULSE OXIMETRY, BODY FAT ANALYSIS, GRIP STRENGTH, AND VISION. DURING FY2012 WE SCREENED 1,200 MEMBERS OF THE COMMUNITY WITH VARIED "AT RISK" LEVELS AT OVER FORTY LOCATIONS. (THIS ONLY REPRESENTS OUR VAN PRESENCE AT MAJOR COMMUNITY INITIATIVES, AND DOES NOT REPRESENT THE MULTITUDE OF COMMUNITY APPEARANCES MADE BY OTHER MEDICAL CENTER DEPARTMENTS AT HEALTH FAIRS ON THE DELMARVA PENINSULA.)

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; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.
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IN OCTOBER 2008, IN AN EFFORT TO EXPAND OUR MOBILE SERVICE TO THE AT-RISK AND UNDERSERVED POPULATIONS, PENINSULA REGIONAL MEDICAL CENTER FORMED A PARTNERSHIP WITH THE WICOMICO HEALTH DEPARTMENT TO OFFER DIABETES, STROKE AND HYPERTENSION EDUCATION AND SCREENINGS TO THESE POPULATIONS (SITES RECOMMENDED BY THE HEALTH DEPARTMENT). THIS PROGRAM CONTINUES TODAY.

OTHER INITIATIVES

THE HOSPITAL AND ITS EMPLOYEES ALSO PARTICIPATE ON AN ANNUAL BASIS IN MANY CHARITABLE CAUSES THAT PROMOTE A HEALTHY LIFESTYLE AND OVERALL WELL-BEING OF THOSE IN THE COMMUNITY. IN FY2012, HOSPITAL EMPLOYEES CONTRIBUTED OVER \$166,000 TO THE UNITED WAY CAMPAIGN, IN ADDITION TO HAVING EMPLOYEES WALK AND PARTICIPATE IN THE MARCH OF DIMES, HOSPITAL EMPLOYEES AND PHYSICIANS ALSO PARTICIPATED IN THE 2011 WICOMICO COUNTY RELAY FOR LIFE. THIS CANCER SURVIVOR'S RECEPTION HOSTED OVER 600 CANCER SURVIVORS AND BRINGS HOPE TO THOSE SUFFERING. EVERY YEAR HOSPITAL EMPLOYEES ARE ENGAGED IN COMMUNITY OUTREACH WHICH ARE VOLUNTEER TYPE SERVICES PROVIDED "OUTSIDE THE REALM OF NORMAL HOSPITAL PATIENT CARE."

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; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.
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THE HOSPITAL ENCOURAGES VOLUNTEERISM IN THE FOLLOWING AREAS:

- HEALTH SCREENINGS
- HEALTH EDUCATION
- SUPPORT GROUPS
- PROGRAM SUPPORT
- RESEARCH
- FINANCIAL CONTRIBUTIONS

IN FY2012, 83,734 HOURS WERE GIVEN BY EMPLOYEES. AS AN EXAMPLE, THE HOSPITAL IS A COMMUNITY PARTNER WITH "THE WELLNESS COMMUNITY OF DELMARVA." THIS IS A NON-PROFIT ORGANIZATION DEDICATED TO PROVIDING FREE EMOTIONAL SUPPORT, EDUCATION AND HOPE FOR PEOPLE AFFECTED BY CANCER AND THEIR LOVED ONES. THE HOSPITAL'S EMPLOYEES VOLUNTARILY GIVE OF THEIR TIME AND TALENTS TO SUPPORT THIS TERRIFIC PROGRAM.

THE HOSPITAL ALSO PARTICIPATES IN THE "HEALTHIEST MARYLAND" INITIATIVE A RECENT PROGRAM LAUNCHED BY LT. GOVERNOR BROWN, THE ADMINISTRATION AND SECRETARY COLMERS. THIS IS A STATEWIDE MOVEMENT TO CREATE A CULTURE OF

Part VI Supplemental Information

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- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.
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WELLNESS - AN ENVIRONMENT WHERE THE HEALTHIEST CHOICE IS EASY. MARYLAND RURAL HEALTHCARE ASSOCIATION IS ANOTHER AGENCY THAT PROMOTES THE DELIVERY OF RURAL HEALTH CARE, THEIR MISSION STATEMENT IS TO: ENHANCE THE HEALTH AND WELL BEING OF RURAL POPULATIONS IN MARYLAND THROUGH LEADERSHIP, EDUCATION, ADVOCACY AND COLLABORATION. THE HOSPITAL IS REPRESENTED ON THIS COMMITTEE AND IS COMMITTED TO FINDING SOLUTIONS TO PROVIDING THE MOST EFFICIENT AND EFFECTIVE HEALTHCARE DELIVERY TO AN UNDERSERVED RURAL POPULATION.

THERE EXIST GEOGRAPHIC POCKETS IN PENINSULA REGIONAL'S SERVICE AREA WHICH ARE FEDERALLY LISTED AS BEING UNDERSERVED BY HEALTHCARE PROVIDERS. IN AN EFFORT TO ADDRESS THE RURAL POPULATIONS NEED FOR PROVIDERS, THE HOSPITAL HAS PARTNERED IN DEVELOPING HEALTHCARE PROGRAMS WITH LOCAL COLLEGES AND UNIVERSITIES. FOR EXAMPLE, THE HOSPITAL HAS COLLABORATED WITH UMES (UNIVERSITY OF MARYLAND EASTERN SHORE) AND HAS MADE A 5 YEAR \$250,000 DOLLAR INVESTMENT IN THEIR PHYSICIAN ASSISTANT PROGRAM. THIS INVESTMENT WILL EXPAND THE HEALTHCARE EDUCATIONAL OPPORTUNITIES, AND IN THE FUTURE PROVIDE HEALTH CARE PROFESSIONALS AVAILABLE TO CARE FOR RESIDENTS IN OUR

Part VI Supplemental Information

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- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.
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REGION. THERE CONTINUES TO BE ONGOING COLLABORATIONS WITH WOR-WIC
COMMUNITY COLLEGE AND SALISBURY UNIVERSITY TO FURTHER DEVELOP HEALTHCARE
PROGRAMS AND PROVIDERS TO MEET THE CHALLENGES OF 21ST CENTURY HEALTHCARE.

THE MAJORITY OF THE HOSPITAL'S GOVERNING BODY IS COMPRISED OF PERSONS WHO
RESIDE IN THE ORGANIZATION'S PRIMARY SERVICE AREA AND WHO ARE NOT
EMPLOYEES OR CONTRACTORS OF THE HOSPITAL. IT IS COMPRISED OF PHYSICIANS,
BUSINESS OWNERS, ATTORNEYS, ACCOUNTANTS AND OTHER CONCERNED CITIZENS OF
THE COMMUNITY.

THE HOSPITAL EXTENDS MEDICAL STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS
IN ITS COMMUNITY FOR ALL OF ITS DEPARTMENTS.

PART VI, LINE 6

THE HOSPITAL IS PART OF AN AFFILIATED HEALTH CARE SYSTEM (THE SYSTEM).
PENINSULA REGIONAL HEALTH SYSTEM IS THE NOT FOR PROFIT PARENT COMPANY OF
THE SYSTEM WHICH WAS ESTABLISHED TO MANAGED THE INTEGRATED HEALTH CARE

Part VI Supplemental Information

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- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.
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- 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.

SERVICES OF THE COMMUNITY. THE AFFILIATES OF THE SYSTEM INCLUDE:

PENINSULA REGIONAL MEDICAL CENTER, A NOT FOR PROFIT HOSPITAL FORMED TO IMPROVE THE HEALTH CARE OF THE COMMUNITY BY PROVIDING EXCEPTIONAL, QUALITY PRIMARY, SECONDARY AND SELECTED TERTIARY HEALTH CARE SERVICES TO PATIENTS IN A COMPETENT AND COMPASSIONATE MANNER; PENINSULA REGIONAL MEDICAL CENTER FOUNDATION, A NOT FOR PROFIT ORGANIZATION FORMED TO RAISE FUNDS FOR THE HOSPITAL; PENINSULA HEALTH VENTURES, INC., A FOR-PROFIT CORPORATION, WHICH INVESTS IN VARIOUS JOINT VENTURES THAT PROVIDE HEALTH CARE SERVICES AND PRLTC, INC., A FOR-PROFIT CORPORATION, INVESTING IN A LONG-TERM CARE FACILITY WHICH PROVIDES HEALTH CARE TO THE ELDERLY. IN ADDITION TO THE COMMUNITY BENEFITS ALREADY PROVIDED BY THE SYSTEM, IT ALSO EVALUATES OTHER NEEDS OF THE COMMUNITY AS THEY ARISE AND WILL PARTICIPATE IN COMMUNITY BENEFIT PROGRAMS AS NEEDED.

PART VI, LINE 7

STATE(S) WITH WHICH THE ORGANIZATION FILES A COMMUNITY BENEFIT REPORT:

MARYLAND

**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

2011

Open to Public Inspection

Name of the organization

PENINSULA REGIONAL MEDICAL CENTER

Employer identification number

52-0591628

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 checked="" 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 checked="" 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. Explain in Part III.

- | | |
|---|---|
| <input checked="" type="checkbox"/> Compensation committee | <input checked="" 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
1b	X	
2	X	
4a		X
4b	X	
4c		X
5a		X
5b		X
6a	X	
6b	X	
7	X	
8		X
9		

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

Schedule J (Form 990) 2011

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	(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 MARGARET NALEPPA	(i)	566,819.	160,411.	14,720.	35,172.	13,732.	790,854.	0
	(ii)	0	0	0	0	0	0	0
2 LURA LUNSFORD	(i)	290,065.	59,234.	3,898.	33,215.	12,345.	398,757.	0
	(ii)	0	0	0	0	0	0	0
3 BRUCE I RITCHIE	(i)	334,335.	69,158.	3,898.	48,254.	20,791.	476,436.	0
	(ii)	0	0	0	0	0	0	0
4 R ALAN NEWBERRY	(i)	688,729.	0	0	0	0	688,729.	0
	(ii)	0	0	0	0	0	0	0
5 JUSTINIAN NGAIZA MD	(i)	556,680.	0	1,218.	13,504.	14,880.	586,282.	0
	(ii)	0	0	0	0	0	0	0
6 PAUL ZORSKY MD	(i)	575,825.	0	1,218.	9,601.	13,361.	600,005.	0
	(ii)	0	0	0	0	0	0	0
7 GAYATRI SONTI	(i)	599,700.	0	1,218.	10,018.	7,421.	618,357.	0
	(ii)	0	0	0	0	0	0	0
8 ANDY PIERRE MD	(i)	643,454.	50,000.	1,218.	15,733.	17,599.	728,004.	0
	(ii)	0	0	0	0	0	0	0
9 JACEK MALIK. M.D.	(i)	647,151.	50,000.	1,218.	18,183.	12,967.	729,519.	0
	(ii)	0	0	0	0	0	0	0
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 COMPENSATION INFORMATION

PART I, LINE 4B

MARGARET NALEPPA IS A PARTICIPANT IN THE 457F NON QUALIFIED PLAN.

PART I, LINES 6A AND 6B

OFFICERS AND KEY EMPLOYEES OF PENINSULA REGIONAL MEDICAL CENTER ARE PAID

COMPENSATION DETERMINED BY THE NET EARNINGS ACTIVITY OF THE MEDICAL

CENTER AND PENINSULA REGIONAL HEALTH SYSTEM. DURING CALENDAR YEAR 2011

THE FOLLOWING BONUSES WERE PAID BASED ON EARNINGS: MARGARET NALEPPA

\$160,411, LURA LUNSFORD \$59,234 AND BRUCE RITCHIE \$69,158.

PART I, LINE 7

DURING CALENDAR YEAR 2011, ANDY PIERRE, M.D. AND JACEK MALIK, M.D. EACH

RECEIVED A \$50,000 SIGN-ON BONUS.

**SCHEDULE K
(Form 990)**

Supplemental Information on Tax-Exempt Bonds

OMB No. 1545-0047

2011

**Open to Public
Inspection**

▶ **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.**

Department of the Treasury
Internal Revenue Service

Name of the organization

PENINSULA REGIONAL MEDICAL CENTER

Employer identification number

52-0591628

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 MARYLAND HEALTH & HIGHER EDUCATION FACILITY	52-0936091	574217WT8	02/09/2006	146,668,251.	SEE PART VI		X		X		X
B											
C											
D											

Part II Proceeds

	A		B		C		D	
1 Amount of bonds retired	154,822,905.							
2 Amount of bonds legally defeased								
3 Total proceeds of issue	154,822,905.							
4 Gross proceeds in reserve funds	11,127,422.							
5 Capitalized interest from proceeds								
6 Proceeds in refunding escrows								
7 Issuance costs from proceeds	1,167,501.							
8 Credit enhancement from proceeds								
9 Working capital expenditures from proceeds								
10 Capital expenditures from proceeds	100,184,165.							
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	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X						
2 Are there any lease arrangements that may result in private business use of bond-financed property?		X						

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

Schedule K (Form 990) 2011

Part III Private Business Use (Continued)		MARYLAND HEALTH & HIGHER EDUCATION FACILITY							
		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X							
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?		X						
c	Are there any research agreements that may result in private business use of bond-financed property?	X							
d	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?	X							
4	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 ▶	.8700 %							
5	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 ▶	.1200 %							
6	Total of lines 4 and 59900 %							
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

Part IV Arbitrage		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X						
2	Is the bond issue a variable rate issue?		X						
3a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?	X							
b	Name of provider	MORGAN STANLEY							
c	Term of hedge	20.400							
d	Was the hedge superintegrated?		X						
e	Was the hedge terminated?		X						
4a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X						
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X						
6	Did the bond issue qualify for an exception to rebate?	X							

Part V Procedures To Undertake Corrective Action
 Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations Yes No

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

SCHEDULE K, PART I, COLUMN F
 THE PROCEEDS OF THE ISSUE, AFTER PAYMENT OF FINANCING COSTS, WERE USED

Part III Private Business Use (Continued)		MARYLAND HEALTH & HIGHER EDUCATION FACILITY							
		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?								
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?								
c	Are there any research agreements that may result in private business use of bond-financed property?								
d	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?								
4	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 ▶		%		%		%		%
5	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 ▶		%		%		%		%
6	Total of lines 4 and 5		%		%		%		%
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

Part IV Arbitrage		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?								
2	Is the bond issue a variable rate issue?								
3a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?								
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was the hedge terminated?								
4a	Were gross proceeds invested in a guaranteed investment contract (GIC)?								
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?								
6	Did the bond issue qualify for an exception to rebate?								

Part V Procedures To Undertake Corrective Action
 Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations Yes No

Part VI Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K (see instructions).
 PRIMARILY (I) TO FINANCE AND REFINANCE A PORTION OF THE COSTS OF
 CONSTRUCTION, RENOVATION, ACQUISITION AND EQUIPPING OF HEALTHCARE

Part III Private Business Use (Continued)		MARYLAND HEALTH & HIGHER EDUCATION FACILITY							
		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?								
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?								
c	Are there any research agreements that may result in private business use of bond-financed property?								
d	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?								
4	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 ▶		%		%		%		%
5	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 ▶		%		%		%		%
6	Total of lines 4 and 5		%		%		%		%
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

Part IV Arbitrage		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?								
2	Is the bond issue a variable rate issue?								
3a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?								
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was the hedge terminated?								
4a	Were gross proceeds invested in a guaranteed investment contract (GIC)?								
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?								
6	Did the bond issue qualify for an exception to rebate?								

Part V Procedures To Undertake Corrective Action
 Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations Yes No

Part VI Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K (see instructions).
 FACILITIES; (II) TO REFUND OUTSTANDING 1993 BONDS (ISSUED 10/28/93);
 (III) TO PAY A PORTION OF THE INTEREST ACCRUING ON THE SERIES 2006 BONDS

Part III Private Business Use (Continued)	MARYLAND HEALTH & HIGHER EDUCATION FACILITY							
	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
3a Are there any management or service contracts that may result in private business use of bond-financed property?								
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?								
c Are there any research agreements that may result in private business use of bond-financed property?								
d 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?								
4 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 ▶		%		%		%		%
5 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 ▶		%		%		%		%
6 Total of lines 4 and 5		%		%		%		%
7 Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

Part IV Arbitrage								
	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?								
2 Is the bond issue a variable rate issue?								
3a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?								
b Name of provider								
c Term of hedge								
d Was the hedge superintegrated?								
e Was the hedge terminated?								
4a Were gross proceeds invested in a guaranteed investment contract (GIC)?								
b Name of provider								
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5 Were any gross proceeds invested beyond an available temporary period?								
6 Did the bond issue qualify for an exception to rebate?								

Part V Procedures To Undertake Corrective Action
Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations Yes No

Part VI Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K (see instructions).
FOR A PERIOD TO EXTEND TO JANUARY 1, 2009; AND (IV) TO PAY THE
COUNTERPARTY A TERMINATION PAYMENT OF \$1,575 IN CONNECTION WITH A FORWARD

Part III Private Business Use (Continued)		MARYLAND HEALTH & HIGHER EDUCATION FACILITY							
		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?								
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?								
c	Are there any research agreements that may result in private business use of bond-financed property?								
d	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?								
4	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 ▶		%		%		%		%
5	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 ▶		%		%		%		%
6	Total of lines 4 and 5		%		%		%		%
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

Part IV Arbitrage		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?								
2	Is the bond issue a variable rate issue?								
3a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?								
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was the hedge terminated?								
4a	Were gross proceeds invested in a guaranteed investment contract (GIC)?								
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?								
6	Did the bond issue qualify for an exception to rebate?								

Part V Procedures To Undertake Corrective Action
 Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations Yes No

Part VI Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K (see instructions).
 STARTING INTEREST RATE EXCHANGE AGREEMENT ENTERED INTO ON AUGUST 9, 2005
 AND UNWOUND ON JANUARY 24, 2006.

Part III Private Business Use (Continued)	MARYLAND HEALTH & HIGHER EDUCATION FACILITY							
	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
3a Are there any management or service contracts that may result in private business use of bond-financed property?								
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?								
c Are there any research agreements that may result in private business use of bond-financed property?								
d 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?								
4 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 ▶		%		%		%		%
5 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 ▶		%		%		%		%
6 Total of lines 4 and 5		%		%		%		%
7 Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

Part IV Arbitrage								
	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?								
2 Is the bond issue a variable rate issue?								
3a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?								
b Name of provider								
c Term of hedge								
d Was the hedge superintegrated?								
e Was the hedge terminated?								
4a Were gross proceeds invested in a guaranteed investment contract (GIC)?								
b Name of provider								
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5 Were any gross proceeds invested beyond an available temporary period?								
6 Did the bond issue qualify for an exception to rebate?								

Part V Procedures To Undertake Corrective Action
 Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations Yes No

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

SCHEDULE K, PART II, LINE 10
 OF THE AMOUNT REPORTED ON PART II, LINE 10, \$12,281,895 IS CAPITALIZED

Part III Private Business Use (Continued)	MARYLAND HEALTH & HIGHER EDUCATION FACILITY							
	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
3a Are there any management or service contracts that may result in private business use of bond-financed property?								
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?								
c Are there any research agreements that may result in private business use of bond-financed property?								
d 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?								
4 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 ▶		%		%		%		%
5 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 ▶		%		%		%		%
6 Total of lines 4 and 5		%		%		%		%
7 Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

Part IV Arbitrage								
	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?								
2 Is the bond issue a variable rate issue?								
3a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?								
b Name of provider								
c Term of hedge								
d Was the hedge superintegrated?								
e Was the hedge terminated?								
4a Were gross proceeds invested in a guaranteed investment contract (GIC)?								
b Name of provider								
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5 Were any gross proceeds invested beyond an available temporary period?								
6 Did the bond issue qualify for an exception to rebate?								

Part V Procedures To Undertake Corrective Action
 Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations Yes No

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

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

2011

Open To Public Inspection

Name of the organization

PENINSULA REGIONAL MEDICAL CENTER

Employer identification number

52-0591628

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) Description of transaction	(c) Corrected?	
			Yes	No
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

- 2 Enter the amount of tax imposed on 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, Part IV, line 26, or Form 990-EZ, Part V, line 38a.

1	(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c) Original principal amount	(d) Balance due	(e) In default?		(f) Approved by board or committee?		(g) Written agreement?	
		To	From			Yes	No	Yes	No	Yes	No
		(1)									
(2)											
(3)											
(4)											
(5)											
(6)											
(7)											
(8)											
(9)											
(10)											

Total ▶ \$ _____

Part III Grants or Assistance Benefiting Interested Persons.

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

1	(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount and type of assistance
(1)			
(2)			
(3)			
(4)			
(5)			
(6)			
(7)			
(8)			
(9)			
(10)			

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

Schedule L (Form 990 or 990-EZ) 2011

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) PENINSULA CARDIOLOGY ASSOCIATES	SEE PART V	159,994.	RENTAL FEES		X
(2)					
(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).

SCHEDULE L, PART IV

RENE DESMARIAS, M.D., A TRUSTEE OF THE MEDICAL CENTER, IS A MORE THAN 5% OWNER OF PENINSULA CARDIOLOGY ASSOCIATES.

SCHEDULE O
(Form 990 or 990-EZ)

Supplemental Information to Form 990 or 990-EZ

OMB No. 1545-0047

2011

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

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.

Name of the organization

PENINSULA REGIONAL MEDICAL CENTER

Employer identification number

52-0591628

FORM 990, PART VI, SECTION A, LINE 2

BUSINESS RELATIONSHIPS

MARGARET NALEPPA, MARTIN NEAT, AND HUGH MCLAUGHLIN ARE MEMBERS OF THE
BOARD OF DIRECTORS OF PENINSULA HEALTH VENTURES, A WHOLLY-OWNED TAXABLE
SUBSIDIARY OF PENINSULA REGIONAL HEALTH SYSTEM.

FORM 990, PART VI, SECTION A, LINE 6

MEMBERS OF THE ORGANIZATION

PENINSULA REGIONAL HEALTH SYSTEM IS THE SOLE CORPORATE MEMBER OF THE
MEDICAL CENTER.

FORM 990, PART VI, SECTION A, LINE 7A

MEMBER'S ABILITY TO ELECT MEMBERS OF THE GOVERNING BODY
IN ITS CAPACITY AS THE SOLE CORPORATE MEMBER OF THE MEDICAL CENTER,
PENINSULA REGIONAL HEALTH SYSTEM HAS THE ABILITY TO ELECT MEMBERS OF THE
MEDICAL CENTER'S GOVERNING BODY.

FORM 990, PART VI, SECTION A, LINE 7B

DECISIONS SUBJECT TO APPROVAL BY MEMBERS
AS THE SOLE CORPORATE MEMBER, PENINSULA REGIONAL HEALTH SYSTEM HAS THE
ABILITY TO APPROVE MAJOR EXPENDITURES AND LONG TERM BORROWINGS OF THE
MEDICAL CENTER.

FORM 990, PART VI, SECTION B, LINE 11B

Name of the organization PENINSULA REGIONAL MEDICAL CENTER	Employer identification number 52-0591628
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REVIEW PROCESS OF FORM 990

OVERSIGHT OF THE COMPLETION OF THE ORGANIZATION'S FORM 990 HAS BEEN DELEGATED TO THE CHIEF FINANCIAL OFFICER OF PENINSULA REGIONAL MEDICAL CENTER BY THE PRESIDENT OF THE ORGANIZATION. ONCE THE FORM 990 AND ALL SCHEDULES HAVE BEEN PREPARED BY THE ORGANIZATION'S INDEPENDENT TAX SERVICES PROVIDER, THEY ARE REVIEWED BY THE PRESIDENT PRIOR TO FILING.

FORM 990, PART VI, SECTION B, LINE 12C

MONITORING AND ENFORCEMENT OF CONFLICT OF INTEREST POLICY
THE BOARD OF TRUSTEES ARE REQUIRED TO DISCLOSE ANNUALLY, IN WRITING, ANY AND ALL INTERESTS WHICH THEY OR ANY IMMEDIATE MEMBER OF THEIR FAMILY MAY HAVE IN ANY BUSINESS ENTITY WHICH HAS OR SEEKS A CONTRACTUAL OR COMPETITIVE RELATIONSHIP WITH THE ORGANIZATION. THE BOARD HAS THE AUTHORITY TO DETERMINE IF A VIOLATION HAS OCCURRED AND WHETHER ANY INTEREST WHICH SHOULD BE DISCLOSED SHOULD DISQUALIFY A DIRECTOR FROM PARTICIPATING IN ANY SPECIFIC BOARD DISCUSSION OR BOARD MEMBERSHIP.

FORM 990, PART VI SECTION B, LINES 15A & 15B

PROCESS USED TO DETERMINE COMPENSATION
THE ORGANIZATION USES A COMPENSATION COMMITTEE TO DETERMINE THE COMPENSATION OF THE CEO/EXECUTIVE DIRECTOR AND OTHER KEY EMPLOYEES. THE CEO OF THE ORGANIZATION HAS A WRITTEN EMPLOYMENT CONTRACT. THE COMPENSATION COMMITTEE USES AN INDEPENDENT CONSULTANT, COMPENSATION SURVEYS AND OTHER ORGANIZATION'S FORM 990 IN THE DETERMINATION PROCESS.

FORM 990, PART VI, SECTION C, LINE 19

Name of the organization PENINSULA REGIONAL MEDICAL CENTER	Employer identification number 52-0591628
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AVAILABILITY OF DOCUMENTS, POLICIES & FINANCIAL STATEMENTS TO THE PUBLIC
 THE ORGANIZATION'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND
 FINANCIAL STATEMENTS ARE AVAILABLE TO THE PUBLIC UPON REQUEST TO THE
 PUBLIC INFORMATION OFFICE OF PENINSULA REGIONAL MEDICAL CENTER AT 100
 EAST CARROLL STREET, SALISBURY, MD 21801.

FORM 990, PART VII, SECTION A, COLUMN (B)

AVERAGE HOURS PER WEEK DEVOTED TO RELATED ORGANIZATIONS

MURRAY K. HOY

PENINSULA REGIONAL MEDICAL CENTER FOUNDATION - 1 HR/WK

PENINSULA REGIONAL HEALTH SYSTEM - 1 HR/WK

MARTIN NEAT

PENINSULA REGIONAL HEALTH SYSTEM - 1HR/WK

PENINSULA HEALTH VENTURES - 1 HR/WK

EDWARD URBAN

PENINSULA REGIONAL HEALTH SYSTEM - 1 HR/WK

WILLIAM MCCAIN

PENINSULA REGIONAL HEALTH SYSTEM - 1 HR/WK

MICHAEL CROUCH, M.D.

PENINSULA REGIONAL HEALTH SYSTEM - 1 HR/WK

DEBORAH ABBOTT

Name of the organization PENINSULA REGIONAL MEDICAL CENTER	Employer identification number 52-0591628
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PENINSULA REGIONAL HEALTH SYSTEM - 1 HR/WK

PENINSULA REGIONAL MEDICAL CENTER FOUNDATION - 1 HR/WK

HERBERT J. GEARY III

PENINSULA REGIONAL HEALTH SYSTEM - 1 HR/WK

CHRISTJON J. HUDDLESTON, M.D.

PENINSULA REGIONAL HEALTH SYSTEM - 1 HR/WK

MARION KEENAN

PENINSULA REGIONAL HEALTH SYSTEM - 1 HR/WK

HUGH MCLAUGHLIN

PENINSULA REGIONAL HEALTH SYSTEM - 1 HR/WK

PENINSULA HEALTH VENTURES - 1 HR/WK

MONTY SAYLOR

PENINSULA REGIONAL HEALTH SYSTEM - 1 HR/WK

THOMAS COATES

PENINSULA REGIONAL HEALTH SYSTEM - 1 HR/WK

MARGARET NALEPPA

PENINSULA REGIONAL HEALTH SYSTEM - 10 HRS/WK

PENINSULA HEALTH VENTURES - 1 HR/WK

Name of the organization PENINSULA REGIONAL MEDICAL CENTER	Employer identification number 52-0591628
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FORM 990, PART XI, LINE 5

OTHER CHANGES IN NET ASSETS OR FUND BALANCE

PENSION ADJUSTMENT - FAS 158	\$(14,092,708)
UNREALIZED LOSS ON INVESTMENTS	(868,468)
INVESTMENT INCOME SWAP	2,131,445
CHANGE IN EQUITY INTEREST OF FOUNDATION	931,783
CAPITAL CAMPAIGN TRANSFERS FROM FOUNDATION	332
U/R NET ASSETS RELEASED FROM RESTRICTION	40,325
ENDOWMENT DONATIONS	(12,685)
NET ASSETS RELEASED FROM RESTRICTION	(267,401)
PARTNERSHIP K-1 INCOME ON RETURN NOT ON BOOKS	303,790
ROUNDING	(6)

NET CHANGE IN FUND BALANCE	\$(11,833,593)
	=====

ATTACHMENT 1

FORM 990, PART III - PROGRAM SERVICE, LINE 4A

PENINSULA REGIONAL MEDICAL CENTER IS A NOT-FOR-PROFIT 501 (C)(3)
 NON-STOCK CORPORATION FOUNDED IN 1897 TO SERVE THE HEALTH CARE
 NEEDS OF THE COMMUNITY. THE HOSPITAL'S PRIMARY PURPOSE IS TO
 PROVIDE THE HIGHEST PRIMARY, SECONDARY, AND SELECTED TERTIARY
 HEALTH CARE SERVICES TO RESIDENTS OF AND VISITORS TO THE
 MID-DELMARVA PENINSULA IN A COMPETENT, COMPASSIONATE, AND

Name of the organization PENINSULA REGIONAL MEDICAL CENTER	Employer identification number 52-0591628
---	--

ATTACHMENT 1 (CONT'D)

COST-EFFECTIVE MANNER DESIGNED TO ELICIT A HIGH DEGREE OF CUSTOMER SATISFACTION. THE HOSPITAL'S MISSION IS TO IMPROVE THE HEALTH OF THE COMMUNITIES WE SERVE BY PROVIDING QUALITY MEDICAL CARE REGARDLESS OF RACE, CREED, SEX, NATIONAL ORIGIN, HANDICAP, OR AGE. IF A PATIENT IS UNABLE TO PAY DUE TO FINANCIAL RESOURCES, EFFORTS WILL BE TAKEN TO ASSURE CARE AT AN AFFORDABLE COST, OR OBTAINED ASSISTANCE THROUGH APPROPRIATE AGENCIES ON THE PATIENT'S BEHALF. EMERGENCY SERVICES CARE WILL BE PROVIDED TO EVERYONE REGARDLESS OF ABILITY TO PAY.

PENINSULA REGIONAL MEDICAL CENTER SERVED OVER 21,000 INPATIENTS AND PROVIDED MORE THAN 500,000 OUTPATIENT SERVICES DURING FISCAL 2012. FOOD SERVICE PROVIDED MORE THAN 475,000 MEALS TO PATIENTS AND EMPLOYEES.

ALTHOUGH REIMBURSEMENT FOR SERVICES RENDERED IS CRITICAL TO THE OPERATION AND STABILITY OF PENINSULA REGIONAL MEDICAL CENTER, IT IS RECOGNIZED THAT NOT ALL INDIVIDUALS POSSESS THE ABILITY TO PAY FOR ESSENTIAL MEDICAL SERVICES. THE HOSPITAL, IN KEEPING WITH THE COMMITMENT TO SERVE ALL MEMBERS OF THE COMMUNITY, DURING FISCAL 2012 PROVIDED:

CHARITY AND OTHER ALLOWANCES TOTALING \$54,387,811
DISCOUNTS TO THIRD PARTY PAYORS INCLUDING
GOVERNMENT PROGRAMS SUCH AS MEDICARE

Name of the organization PENINSULA REGIONAL MEDICAL CENTER	Employer identification number 52-0591628
---	--

ATTACHMENT 1 (CONT'D)

AND MEDICAID \$44,354,270

WRITE-OFF OF UNCOLLECTIBLE ACCOUNTS \$16,616,061

THE TOTAL UNREIMBURSED VALUE OF PROVIDING CARE

TO THESE PATIENTS IS \$115,358,142

ALSO PROVIDED ARE MANY WELLNESS PROGRAMS, COMMUNITY EDUCATION AND FREE PROGRAMS OFFERED THROUGHOUT THE YEAR BASED UPON ACTIVITIES AND SERVICES THAT PENINSULA REGIONAL MEDICAL CENTER BELIEVES WILL SERVE A BONA FIDE COMMUNITY HEALTH NEED. SOME OF THE PROGRAMS ARE AS FOLLOWS:

A VARIETY OF BROCHURES ARE DISPLAYED IN ALL HOSPITAL WAITING AREAS TO EDUCATE MEMBERS OF THE COMMUNITY REGARDING PROGRAMS AND SERVICES.

PARTICIPATION IN HEALTH FAIRS DURING FY 2012 IN ORDER TO FOSTER HEALTH EDUCATION IN THE COMMUNITY.

BEING CALLED UPON TO SPEAK BEFORE COMMUNITY ORGANIZATIONS ON A VARIETY OF HEALTHCARE TOPICS. WE PROVIDE CHILDBIRTH PREPARATION CLASSES, EXERCISE CLASSES FOR PRENATAL AND POSTPARTUM WOMEN AND CPR CLASSES.

WE PROVIDE ASSISTANCE TO EDUCATORS THROUGH OUR WORK WITH STUDENT

Name of the organization PENINSULA REGIONAL MEDICAL CENTER	Employer identification number 52-0591628
---	--

ATTACHMENT 1 (CONT'D)

NURSES, RADIOLOGY, RESPIRATORY AND LABORATORY TECHNICIANS.

DURING FY 2012, PENINSULA REGIONAL MEDICAL CENTER VOLUNTEERS CONTRIBUTED OVER 45,500 HOURS TOWARD THE COMMON PURPOSE OF SERVICING THE HEALTH CARE OF THE COMMUNITY.

PROGRAM ACTIVITY

DURING FY 2012, PENINSULA REGIONAL MEDICAL CENTER PERFORMED OVER 275 COMMUNITY OUTREACH ACTIVITIES. SPECIFIC EXAMPLES OF EDUCATION AND OUTREACH PROGRAMS, SUPPORT GROUPS, COMMUNITY HEALTH SCREENINGS, AND FITNESS AND WELLNESS ACTIVITIES SUPPORTED BY PENINSULA REGIONAL MEDICAL CENTER ARE AS FOLLOWS:

COMMUNITY EDUCATIONAL AND OUTREACH PROGRAMS:

- LABOR & DELIVERY TOURS (EXCLUSIVE OF CHILDBIRTH CLASS TOURS)
- CPR
- CHILDBIRTH PREPARATION CLASSES
- REFRESHER COURSE - CHILDBIRTH
- SIBLING CLASSES
- INFANT CARE CLASSES
- GRANDPARENT CLASSES
- SAFE SITTER PROGRAM
- WOMEN'S HEALTH EDUCATION

Name of the organization

PENINSULA REGIONAL MEDICAL CENTER

Employer identification number

52-0591628

ATTACHMENT 1 (CONT'D)

SUPPORT GROUPS:

- DIABETES SUPPORT GROUPS
- STROKE SUPPORT GROUP
- HEAD AND NECK CANCER SUPPORT GROUP

EVENTS:

COMMUNITY SCREENINGS:

- HEIGHT/WEIGHT, BLOOD PRESSURE
- SKIN CANCER SCREENINGS
- ORAL, HEAD AND NECK CANCER SCREENINGS
- HEARING SCREENINGS
- FLU CLINIC

EDUCATIONAL EXHIBITS:

- DIABETES EDUCATION
- TRAUMA
- WOMEN'S HEALTH
- SAFE SITTER
- RELAY FOR LIFE

BENEFITS:

- MARCH OF DIMES WALK AMERICA
- UNITED WAY

Name of the organization PENINSULA REGIONAL MEDICAL CENTER	Employer identification number 52-0591628
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ATTACHMENT 1 (CONT'D)

- WOMEN SUPPORTING WOMEN

FITNESS/EXERCISE PROGRAMMING:

- CARDIAC REHABILITATION

- INDOOR CYCLING AND WEIGHTS

- WOMEN AND WEIGHT TRAINING

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>
HORIZON CSA 265 PIT ROAD MOORESVILLE, NC 28115	BIOMEDICAL SERVICES	4,993,909.
SHERIDAN ANESTHESIA OF MD P.O. BOX 452197 SUNRISE, FL 33323-2197	ANESTHESIA SERVICES	2,146,332.
MAYO MEDICAL LABORATORIES P.O. BOX 9146 MINNEAPOLIS, MN 55480-9146	MEDICAL SERVICES	1,449,422.
SLEEP WAVES INC 873 E BALTIMORE PIKE STE 345 KENNETT SQUARE, PA 19348	MEDICAL SERVICES	1,300,000.
SPECIALITY CARE CARDIOVASCULAR RESOURCES DEPT 1614, P.O. BOX 1614 BIRMINGHAM, AL 35246-1614	MEDICAL SERVICES	1,094,750.
TOTAL COMPENSATION		<u>10,984,413.</u>

**SCHEDULE R
(Form 990)**

Related Organizations and Unrelated Partnerships

OMB No. 1545-0047

2011

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

▶ **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

PENINSULA REGIONAL MEDICAL CENTER

Employer identification number

52-0591628

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

(a) Name, address, and EIN 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) PENINSULA REGIONAL MED CTR FOUNDATION 52-1851935 100 EAST CARROLL ST. SALISBURY, MD 21801	FUNDRAISING	MD	501(C)(3)	11 TYPE I	PRHS		X
(2) PENINSULA REGIONAL HEALTH SYSTEM (PRHS) 52-2132761 100 EAST CARROLL ST. SALISBURY, MD 21801	PARENT	MD	501(C)(3)	11 TYPE II	N/A		X
(3) PENINSULA GENERAL HOSPITAL INS. TRUST 52-6321234 100 EAST CARROLL ST. SALISBURY, MD 21801	INSURANCE	MD	501(C)(3)	11 TYPE III	PRHS	X	
(4) -----							
(5) -----							
(6) -----							
(7) -----							

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

Schedule R (Form 990) 2011

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) DELMARVA SURG CTR 52-2251436 641 S. SALISBURY, SALISBURY, MD	HEALTHCARE	MD	PHV									
(2) -----												
(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
(1) PENINSULA HEALTH VENTURES (PHV) 52-2250012 100 EAST CARROLL ST. SALISBURY SALISBURY, MD 21801	P'SHIP INV	MD	PRHS	C CORP			
(2) PRLTC INC. 52-2190588 100 EAST CARROLL ST. SALISBURY, MD 21801	LONG TERM CARE	MD	PHV	C CORP			
(3) -----							
(4) -----							
(5) -----							
(6) -----							
(7) -----							

Part V Transactions With Related Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34, 35, 35a, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.

	Yes	No
1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?		
a Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity	1a	X
b Gift, grant, or capital contribution to related organization(s)	1b	X
c Gift, grant, or capital contribution from related organization(s)	1c	X
d Loans or loan guarantees to or for related organization(s)	1d	X
e Loans or loan guarantees by related organization(s)	1e	X
f Sale of assets to related organization(s)	1f	X
g Purchase of assets from related organization(s)	1g	X
h Exchange of assets with related organization(s)	1h	X
i Lease of facilities, equipment, or other assets to related organization(s)	1i	X
j Lease of facilities, equipment, or other assets from related organization(s)	1j	X
k Performance of services or membership or fundraising solicitations for related organization(s)	1k	X
l Performance of services or membership or fundraising solicitations by related organization(s)	1l	X
m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1m	X
n Sharing of paid employees with related organization(s)	1n	X
o Reimbursement paid to related organization(s) for expenses	1o	X
p Reimbursement paid by related organization(s) for expenses	1p	X
q Other transfer of cash or property to related organization(s)	1q	X
r Other transfer of cash or property from related organization(s)	1r	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-r)	(c) Amount involved	(d) Method of determining amount involved
(1) PENINSULA REGIONAL MEDICAL CENTER FOUNDATION	L, R	189,567.	FMV
(2) PENINSULA REGIONAL MEDICAL CENTER FOUNDATION	M, N, P	418,908.	FMV
(3) PENINSULA HEALTH VENTURES	K	200,000.	FMV
(4)			
(5)			
(6)			

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

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

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

Part VII **Supplemental Information**

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

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

Peninsula Regional Medical Center
Years Ended June 30, 2012 and 2011
With Reports of Independent Auditors

FINANCIAL STATEMENTS

Peninsula Regional Medical Center
Years Ended June 30, 2012 and 2011
With Report of Independent Auditors

Peninsula Regional Medical Center
Financial Statements and Supplementary Information
Years Ended June 30, 2012 and 2011

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Peninsula Regional Medical Center

Financial Statements

Years Ended June 30, 2012 and 2011

Contents

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Audited Financial Statements

Balance Sheets2

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Report of Independent Auditors

Board of Trustees
Peninsula Regional Medical Center

We have audited the accompanying balance sheets of Peninsula Regional Medical Center (the Hospital) as of June 30, 2012 and 2011, and the related statements of operations and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Hospital's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Peninsula Regional Medical Center at June 30, 2012 and 2011, and the results of its operations and changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

September 21, 2012

Peninsula Regional Medical Center

Balance Sheets (In Thousands)

	June 30	
	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 24,709	\$ 25,638
Short-term investments	8,503	5,836
Accounts receivable, less allowance for uncollectible accounts (2012 – \$7,292; 2011 – \$7,072)	39,081	35,572
Inventories and other	13,928	13,119
Total current assets	86,221	80,165
Long-term investments	152,080	136,117
Board-designated investments	16,745	16,420
Assets limited as to use:		
Debt service reserve fund	9,311	9,349
Donor-restricted fund	24,489	23,607
Self-insurance fund	12,479	14,459
	46,279	47,415
Property and equipment, net	200,235	206,154
Unamortized financing costs, net of accumulated amortization (2012 – \$569; 2011 – \$471)	2,352	2,450
Other assets	4,055	3,687
Total assets	\$ 507,967	\$ 492,408

	June 30	
	2012	2011
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	\$ 2,930	\$ 2,810
Current portion of accrued self-insured liabilities	1,895	1,895
Accounts payable and accrued liabilities	32,798	26,507
Advances from third-party payors	9,958	8,461
Total current liabilities	<u>47,581</u>	<u>39,673</u>
Long-term debt, net	128,332	131,566
Other liabilities	20,826	12,134
Total liabilities	<u>196,739</u>	<u>183,373</u>
Net assets:		
Unrestricted	287,903	286,635
Temporarily restricted	15,254	14,335
Permanently restricted	8,071	8,065
Total net assets	<u>311,228</u>	<u>309,035</u>
Total liabilities and net assets	<u><u>\$ 507,967</u></u>	<u><u>\$ 492,408</u></u>

See accompanying notes.

Peninsula Regional Medical Center

Statements of Operations and Changes in Net Assets
(In Thousands)

	Year Ended June 30	
	2012	2011
Unrestricted revenue and other support:		
Net patient service revenue	\$ 378,035	\$ 380,052
Other operating revenue	2,360	2,357
Total unrestricted revenue and other support	<u>380,395</u>	<u>382,409</u>
Operating expenses:		
Salaries and wages	146,085	138,742
Supplies and other expenses	147,182	146,120
Employee benefits	36,207	36,169
Depreciation	21,812	21,829
Bad debts	16,616	17,411
Interest	6,259	6,591
Total operating expenses	<u>374,161</u>	<u>366,862</u>
Income from operations	6,234	15,547
Nonoperating income:		
Investment income	6,974	12,164
Basis swap income	2,629	3,128
	<u>9,603</u>	<u>15,292</u>
Excess of unrestricted revenue and other support over expenses	15,837	30,839

(continued)

Peninsula Regional Medical Center

Statements of Operations and Changes in Net Assets (continued)
(In Thousands)

	Year Ended June 30	
	2012	2011
Unrestricted net assets:		
Excess of unrestricted revenue and other support over expenses	\$ 15,837	\$ 30,839
Net assets released from restrictions	40	1,200
Unrealized (loss) gains on investments	(516)	13,006
Pension adjustment	(14,093)	10,216
Increase in unrestricted net assets	<u>1,268</u>	<u>55,261</u>
Temporarily restricted net assets:		
Change in equity interest in the Foundation	931	1,141
Donations	43	-
Net realized gains on investments	563	1,222
Unrealized (loss) gains on investments	(351)	1,613
Net assets released from restrictions	(267)	(1,521)
Increase in temporarily restricted net assets	<u>919</u>	<u>2,455</u>
Permanently restricted net assets:		
Donations	-	5
Net realized gains on investments	7	4
Unrealized (loss) gain on investments	(1)	5
Increase in permanently restricted net assets	<u>6</u>	<u>14</u>
Increase in net assets	2,193	57,730
Net assets at beginning of year	309,035	251,305
Net assets at end of year	<u>\$ 311,228</u>	<u>\$ 309,035</u>

See accompanying notes.

Peninsula Regional Medical Center

Statements of Cash Flows (In Thousands)

	Year Ended June 30	
	2012	2011
Operating activities		
Change in net assets	\$ 2,193	\$ 57,730
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation of property and equipment	21,812	21,829
Amortization of original issue premium	(304)	(299)
Amortization of intangible assets	98	98
Loss (gain) on sale of property and equipment	43	(32)
Net unrealized loss (gains) on investments	631	(13,021)
Net realized gains on investments	(4,529)	(7,478)
Non-cash change in donor-restricted fund	(665)	(2,038)
Proceeds from restricted contributions and realized losses on restricted investments	570	1,226
Changes in operating assets and liabilities:		
Accounts receivable	(3,509)	(90)
Inventories and other assets	(1,177)	(2,718)
Accounts payable and accrued liabilities	6,292	532
Accrued self-insured and other liabilities	8,692	(14,247)
Advances from third-party payors	1,497	303
Net cash provided by operating activities	31,644	41,795
Investing activities		
Purchase of investments	(96,050)	(99,550)
Proceeds from sales of investments	80,991	79,990
Purchases of property and equipment	(15,935)	(15,286)
Change in assets limited as to use	1,801	(2,660)
Net cash used in investing activities	(29,193)	(37,506)
Financing activities		
Proceeds from restricted contributions and realized losses on restricted investments	(570)	(1,226)
Repayments of long-term debt	(2,810)	(2,720)
Net cash used in financing activities	(3,380)	(3,946)
Net (decrease) increase in cash and cash equivalents	(929)	343
Cash and cash equivalents at beginning of year	25,638	25,295
Cash and cash equivalents at end of year	\$ 24,709	\$ 25,638

See accompanying notes.

Peninsula Regional Medical Center

Notes to Financial Statements (In Thousands)

June 30, 2012

1. Organization and Mission

Peninsula Regional Medical Center (the Hospital) is a not-for-profit, nonstock corporation founded in 1897 to serve the health care needs of its region. Primary service areas include the Maryland counties of Wicomico, Somerset and Worcester, south Delaware and the northern Eastern Shore of Virginia. The Hospital's mission is to improve the health care of the community by providing exceptional quality primary, secondary and selected tertiary health care services to patients in a competent and compassionate manner, designed to elicit a high degree of customer satisfaction. The Hospital provides services regardless of race, creed, sex, national origin, handicap or age.

The Hospital is a wholly owned subsidiary of Peninsula Regional Health System, Inc. (the Health System) which serves as the parent company to the Hospital, Peninsula Regional Medical Center Foundation, Inc. (the Foundation) and Peninsula Health Ventures, Inc. (Health Ventures). The Health System is a not-for-profit Maryland membership corporation established to manage the integrated delivery of health care services to the community. The Health System is the sole corporate member of the Hospital, the Foundation and Health Ventures. In its capacity as sole member of these entities, the Health System will appoint trustees, approve major expenditures and approve long-term borrowings.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Reclassifications

Certain amounts from the prior year financial statements have been reclassified in order to conform to the current year presentation.

Peninsula Regional Medical Center

Notes to Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and advances from third-party payors, approximate fair value given the short-term nature of these financial instruments.

Cash and Cash Equivalents

Cash and cash equivalents include surplus operating funds invested in money market funds and highly liquid corporate, U.S. government and agency obligations, all with maturities of less than three months when purchased.

Investments and Investment Income

Investments are carried at fair value. All such investments are considered available for sale and are classified as current or noncurrent assets based on management's intention as to use. Short-term investments represent investments with contractual maturities within one year and current investments in money market funds which have been designated for long-term investment purposes. Assets limited as to use by donor restriction are recorded at fair value at the date of donation and changes in fair value are recognized in the period in which the change occurs. Investment income from all unrestricted investments is reported as nonoperating income. Investment income on investments of restricted assets is added to or deducted from the appropriate restricted net assets when restricted as to use by the donor.

The value of securities sold is based on the specific identification method.

The Hospital periodically evaluates whether any declines in the fair value of investments are other-than-temporary. This evaluation consists of a review of several factors, including but not limited to: length of time and extent that a security has been in an unrealized loss position; the existence of an event that would impair the issuer's future earnings potential; the near-term prospects for recovery of the market value of a security; and the intent and ability of the Hospital to hold the security until the market value recovers. Realized gains or losses are included in nonoperating (expense) income in the accompanying statements of operations. Declines in fair value below cost that are deemed to be other-than-temporary would be recorded as realized losses within nonoperating (expense) income. Based on its evaluation, the Hospital has recorded no other-than-temporary impairments for the years ended June 30, 2012 and 2011.

Peninsula Regional Medical Center

Notes to Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

Derivative Instruments

The Hospital entered into a forward-starting interest rate exchange agreement on August 9, 2005 with Morgan Stanley Capital Services Inc. (the Counterparty) to reduce the risk of changing interest rates with a notional amount of \$137,845. Under the agreement, the Hospital paid a fixed rate of approximately 3.5% and received a variable rate of 68% of three-month London Interbank Offered Rate (LIBOR). The Hospital unwound the agreement on January 24, 2006 and paid the Counterparty a termination payment of \$1,575 on February 9, 2006 from proceeds of the 2006 Bond issue. The termination payment of \$1,575 has been recognized as unamortized financing costs and is being amortized over the life of the 2006 Bond issue using the straight-line method, which approximates the effective interest method.

On January 26, 2006, the Hospital amended the August 9, 2005 agreement with the Counterparty and entered into an interest rate swap (the Basis Swap) on a notional amount of \$142,910 under which the Hospital will pay the Counterparty floating rate payments based upon the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index and will receive floating rate payments based upon 68% of three-month LIBOR, plus a fixed spread of 0.523%. Under Accounting Standards Codification (ASC) No. 815, *Derivatives and Hedging*, the Hospital has recognized its derivative instruments in the balance sheets at fair value. As these derivative instruments are not designated as hedges, the changes in fair value have been recognized in the accompanying statements of operations and changes in net assets as mark-to-market adjustments, included within basis swap income.

The fair market value of the swap agreement is included in other liabilities or other assets in the accompanying balance sheets. The fair market value calculation includes a credit valuation adjustment (CVA) as required by ASC 820, *Fair Value Measurements and Disclosures*. At June 30, 2012, the valuation of the interest rate swap asset was decreased by \$13 when applying the CVA. At June 30, 2011, the valuation of the interest rate swap agreement liability position was reduced by \$447 when applying the CVA. The change in the fair market value of the swap agreement is recorded in the performance indicator, as the swaps are not designated as an effective hedge.

Credit exposure associated with non-performance by the counterparty to the derivative instrument is generally limited to the uncollateralized fair value of the asset related to instruments recognized in the balance sheets.

Peninsula Regional Medical Center

Notes to Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

The Hospital's derivative agreement does not contain any credit support provisions that require it to post collateral if there are declines in the derivative value or its credit rating.

At June 30, 2012, the value of this instrument was a \$2,068 asset position, recorded in other assets. At June 30, 2011, the value of this instrument was a \$357 asset position, recorded in other assets.

Accounts Receivable and Contractual Allowances

The Hospital provides services to patients in the Eastern Shore area of Maryland, Delaware and Virginia, the majority of whom are covered by third-party health insurance. The Hospital bills the insurer directly for services provided.

Insurance coverage and financial information is obtained from patients upon admission when available. The Hospital's policy is to perform in-house collection procedures for approximately 85 days. A determination is made at that time as to what additional collection efforts to pursue. A provision for uncollectible accounts is recorded for amounts not yet written off, which are expected to become uncollectible.

Discounts ranging from 2% to 6% of charges are given to Medicare, Medicaid and certain approved commercial health insurance and health maintenance organization programs for regulated services. Discounts in varying percentages are given for certain unregulated services. These major payors routinely review patient billings and deny payment for certain charges as medically unnecessary or as performed without appropriate preauthorization. Discounts and denials are recorded as reductions of net patient service revenue. Accounts receivable from these third-party payors have been adjusted to reflect the difference between charges and the estimated reimbursable amounts.

Approximately 37% and 33%, respectively, of accounts receivable were due from the Medicare program as of June 30, 2012 and 2011, respectively.

The Medicare and Medicaid reimbursement programs represent a substantial portion of the Hospital's revenues. The Hospital's operations are subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse.

Peninsula Regional Medical Center

Notes to Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

Over the past several years, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of fines and penalties, as well as repayments for patient services previously billed. Compliance with fraud and abuse standards and other government regulations can be subject to future government review and interpretation. Also, future changes in federal and state reimbursement funding mechanisms and related government budgeting constraints could have an adverse effect on the Hospital.

Inventories and Other

Inventories and other primarily includes inventories of supplies and prepaid expenses. Inventories of supplies are carried at lower of cost or market, using the first-in, first-out method.

Other Assets

Other assets primarily include an investment in a limited partnership. This investment is accounted for under the equity method of accounting.

Assets Limited as to Use

Assets limited as to use primarily includes assets held by trustees under indenture agreements, assets held by trustees under irrevocable self-insurance trust agreements and assets whose use has been limited by the donor of the underlying funds. Assets limited as to use also includes the Hospital's beneficial interest in the Foundation's temporarily restricted net assets. Amounts required to meet current liabilities of the Hospital have been classified in the balance sheets as current assets.

Board-Designated Investments

Board-designated investments include assets set aside by the Board of Trustees for future capital improvements and expansion. The Board of Trustees retains control of these assets and may, at its discretion, subsequently use them for other purposes.

Peninsula Regional Medical Center

Notes to Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted donations. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Unamortized Financing Costs

Financing costs incurred in issuing the Maryland Health and Higher Educational Facilities Authority Project and Refunding Revenue Bonds have been capitalized and are being amortized using the straight-line method over the life of the bonds, which approximates the effective interest method. The amount amortized is recorded as an operating expense.

Estimated Self-Insurance Liabilities and Workers' Compensation

The provision for estimated professional liability claims, general liability claims and workers' compensation claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Pension Benefits

Pension benefits are recorded in accordance with ASC No. 715, *Compensation – Retirement Benefits*, which requires the recognition of the funded status of pension plans within the accompanying balance sheets. As of June 30, 2012 and 2011, the funded status of the pension plan has been recorded within other long-term liabilities and other long-term assets, respectively.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time period or purpose. Temporarily restricted net assets are to be used for capital purposes and other health care services.

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

2. Significant Accounting Policies (continued)

Permanently restricted net assets have been restricted by donors to be maintained by the Hospital in perpetuity.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors and others for services rendered. During 2012 and 2011, approximately 48% and 49% of net patient service revenue was received under the Medicare program, 14% and 13% from CareFirst Blue Cross Blue Shield, 30% and 30% from contracts with other third parties, and 8% and 8% from other sources, respectively.

The following table sets forth the detail of net patient service revenue:

	Year Ended June 30	
	2012	2011
Gross patient service revenue	\$ 476,777	\$ 457,035
Revenue deductions:		
Charity care	18,575	15,662
Contractual and other allowances	80,167	61,321
Net patient service revenue	<u>\$ 378,035</u>	<u>\$ 380,052</u>

The Hospital employs physicians in several hospital-based specialties. The Hospital bills for the services provided by these physicians. Net physician revenue is recognized when the services are provided and recorded at the estimated net realizable amount based on the contractual arrangements with third-party payors and the expected payments from the third-party payors and the patients. The difference between the billed charges and the estimated net realizable amounts are recorded as a reduction in physician revenue when the services are provided. At June 30, 2012 and 2011, approximately \$1,834 and \$1,372, respectively, of net physician accounts receivable are included in accounts receivable in the accompanying balance sheets.

Peninsula Regional Medical Center

Notes to Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

Charity Care

The Hospital provided care to patients who met certain criteria under its charity care policy, without charge or at amounts less than its approved rates. Because the Hospital did not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amounts written off as charity care for 2012 and 2011 were \$14,577 and \$12,572, respectively. These amounts represent direct and indirect charity care costs, which are calculated using the Hospital's cost to charge ratio. The state of Maryland rate system includes components within the rates to partially compensate hospitals for uncompensated care.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Hospital are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted donations if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Investment Income

Investment income primarily includes income from short-term and long-term investments, board-designated investments and investments within assets limited as to use. In addition, investment income is also recorded for certain equity method investments that are included within other assets.

Peninsula Regional Medical Center

Notes to Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

The components of investment income are as follows:

	Year Ended June 30	
	2012	2011
Interest and dividend income	\$ 3,694	\$ 3,356
Realized gains, net	1,803	7,478
Income earned on equity method investments	1,456	1,316
Other	21	14
Total	<u>\$ 6,974</u>	<u>\$ 12,164</u>

Income Taxes

The Hospital is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Performance Indicator

The performance indicator for the Hospital is excess of unrestricted revenue and other support over expenses, which includes all changes in unrestricted net assets except for changes in unrealized gains and losses on investments, pension adjustments in accordance with ASC No. 958-715 – *Not for Profit Entities – Compensation – Retirement Benefits* and net assets released from restrictions for property acquisitions.

Recent Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update, (ASU), No. 2010-24, (ASU 2010-24). ASU 2010-24 clarifies that a health care entity should not net insurance recoveries against a related claim liability. Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries. The adoption of this guidance did not have an impact on the Hospital's financial statements.

Peninsula Regional Medical Center

Notes to Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

In August 2010, the FASB issued ASU 2010-23 which provided guidance on measuring charity care for disclosure purposes. This guidance requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing charity care. Disclosure requirements include the method used to identify or determine such costs. The adoption of this guidance did not have an effect on the amounts recorded in the financial statements, however it did change the charity care disclosure.

In July 2011, the FASB issued ASU 2011-07 which provided guidance on the presentation and disclosure of patient service revenue, provisions for bad debts, and the allowance for doubtful accounts for certain health care entities. This guidance changes the presentation of the 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 allowances and discounts). Additionally, the guidance requires enhanced disclosures about the policies for recognizing revenue and assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. This guidance is effective for the Hospital for the fiscal year ending June 30, 2013. The Hospital is currently evaluating the impact of this guidance.

3. Property and Equipment

A summary of property and equipment follows:

	Estimated Useful Lives	June 30 2012	2011
Land	–	\$ 10,636	\$ 10,492
Land improvements	20	13,856	13,695
Buildings and improvements	15 – 40	188,061	184,304
Fixed equipment	20	32,235	32,235
Movable equipment	7 – 10	189,644	191,851
		434,432	432,577
Less accumulated depreciation		(245,183)	(233,750)
		189,249	198,827
Construction in progress		10,986	7,327
Property and equipment, net		\$ 200,235	\$ 206,154

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

3. Property and Equipment (continued)

As of June 30, 2012, the Hospital was committed to building and equipment purchases totaling approximately \$2,983.

4. Other Liabilities

The components of other liabilities are as follows:

	June 30	
	2012	2011
Long-term benefit obligation	\$ 9,112	\$ -
Self insurance obligations	11,156	11,695
Other	558	439
Total	<u>\$ 20,826</u>	<u>\$ 12,134</u>

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

5. Long-Term Debt

Long-term debt consists of the following:

	June 30	
	2012	2011
Maryland Health and Higher Educational Facilities Authority Revenue Bonds Series 2006:		
Serial bonds with interest rates ranging from 3.50% to 5.00% and effective rates ranging from 3.49% to 4.67% due in various annual amounts on July 1 of each year from 2007 through 2021 and 2027	\$ 33,765	\$ 36,560
5.00% term bonds with effective rate of 4.44% due July 1, 2026	24,635	24,635
5.00% term bonds with effective rate of 4.63% due July 1, 2036	69,505	69,505
Property acquisition note:		
5.50% due March 1 of each year from 2007 to 2015	45	60
	127,950	130,760
Less:		
Current portion of Maryland Health and Higher Educational Facilities Authority Series 2006 serial bonds	2,915	2,795
Property acquisition note	15	15
	125,020	127,950
Original issue premium	3,312	3,616
Long-term debt, less current portion	\$ 128,332	\$ 131,566

On February 9, 2006, the Maryland Health and Higher Educational Facilities Authority (MHHEFA) authorized the issuance of \$142,910 aggregate principal amount of Revenue Bonds (Series 2006 Bonds) at a premium of \$5,333. The proceeds of the issue, after payment of financing costs, were used primarily (i) to finance and refinance a portion of the costs of construction, renovation, acquisition and equipping of the 2006 Project; (ii) to refund outstanding 1993 bonds; (iii) to pay a portion of the interest accruing on the Series 2006 Bonds for a period to extend to January 1, 2009; and (iv) to pay the Counterparty a termination payment of \$1,575 in connection with a forward starting interest rate exchange agreement entered into on August 9, 2005 and unwound on January 24, 2006.

Peninsula Regional Medical Center

Notes to Financial Statements (continued) (In Thousands)

5. Long-Term Debt (continued)

Under the terms of the 2006 project and refunding revenue bonds, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included within assets limited as to use. The revenue note indenture also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performance as long as the notes are outstanding.

The Hospital is required to make semiannual payments to the trustee sufficient to meet the annual debt service requirements of the refunding bond issue for the succeeding year. Annual sinking fund installments for the term bonds range from \$3,690 on July 1, 2027 to \$8,820 at maturity. The premium on the Series 2006 Bonds is being amortized over the life of the bonds using the effective interest method.

As security for the debt service requirements of the Series 2006 Bonds, MHHEFA has a first lien and claim on all receipts of the Hospital. The terms of the indenture agreement restrict the Hospital's ability to create additional indebtedness and its use of the facilities, and require the Hospital to maintain stipulated insurance coverage and a rate structure in each year sufficient to meet certain rate covenant requirements.

On March 1, 2006, the Hospital entered into a promissory note for the acquisition of property in the amount of \$135 (\$45 outstanding at June 30, 2012). The interest rate is 5.50% with principal and interest due annually through 2015.

On October 30, 2001, Delmarva Surgery Center, LLC (the Company), a 55%-owned subsidiary of Health Ventures, entered into variable rate loan agreements with M&T Bank in the amount of \$4,500 (\$0 outstanding at June 30, 2012) with monthly payments in various amounts through May 2012 to build and equip an ambulatory surgery center. Health Ventures guaranteed the M&T Bank Loan limited to its pro rata interest. In addition, the Hospital entered into an agreement M&T Bank to guarantee with Health Ventures' commitment for this loan. However, it has not guaranteed any portion of the BB&T Bank loan.

Peninsula Regional Medical Center

Notes to Financial Statements (continued)
(In Thousands)

5. Long-Term Debt (continued)

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

2013	\$ 2,930
2014	3,055
2015	3,185
2016	3,330
2017	3,495
2018 and thereafter	111,955
	<u>\$ 127,950</u>

Fair values of long-term debt are estimated using discounted cash flow analyses, based on current incremental borrowing rates for similar types of borrowing arrangements.

The fair market value of the Hospital's long-term debt outstanding as of June 30, 2012 and 2011 was \$136,177 and \$130,631, respectively.

Total interest paid for fiscal years 2012 and 2011 was \$6,213 and \$6,544, respectively.

6. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	June 30	
	2012	2011
Health care services:		
Capital purposes	\$ 10,384	\$ 10,310
Patient services	3,973	3,295
Educational purposes	897	730
	<u>\$ 15,254</u>	<u>\$ 14,335</u>

Peninsula Regional Medical Center

Notes to Financial Statements (continued)
(In Thousands)

6. Temporarily and Permanently Restricted Net Assets (continued)

Permanently restricted net assets are restricted to:

	June 30	
	2012	2011
Investments to be held in perpetuity, the income from which is expendable to support health care services	\$ 8,071	\$ 8,065

The Foundation initiated a major fundraising campaign for capital funds during fiscal year 2005 to support the Hospital's capital plans that include expansion and modernization of facilities. The Foundation has raised approximately \$14,643 as of June 30, 2012, which includes net pledges receivable present valued at approximately \$1,742. There were two large donations that represent approximately 46% and 34%, respectively, of the net pledges receivable at year-end. The Foundation expects to receive payment on the majority of the pledges by 2014 and all payments by 2025. Additionally, during 2011, the Foundation launched a fundraising campaign to support the Operating Room expansion. This campaign has raised \$1,451 as of June 30, 2012 which includes net pledges receivable present valued at \$579. Pledges receivable are included in assets limited to in use in the accompanying balance sheets.

Scheduled payments on pledges receivable for the years ending June 30 are as follows:

2013	\$ 819
2014 – 2017	755
2018 and thereafter	655
	<u>2,229</u>
Less:	
Impact of discounting of pledges receivable to net present value	(220)
Allowance for uncollectible pledges	(267)
Net pledges receivable, capital campaign	<u>1,742</u>
Other pledges receivable (includes OR net receivable of \$579)	584
Total pledges receivable	<u>\$ 2,326</u>

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

7. Functional Expenses

The Hospital considers health care services and management and general to be its primary functional categories for purposes of expense classification. Depreciation and interest costs are included in health care services. The Hospital's operating expenses by functional classification are as follows:

	Year Ended June 30	
	2012	2011
Health care services	\$ 339,231	\$ 335,768
Management and general	34,930	31,094
	<u>\$ 374,161</u>	<u>\$ 366,862</u>

8. Estimated Self-Insured Liability Claims and Workers' Compensation

The Hospital is self-insured for professional liability claims up to an annual limit of \$2,000 per claim and \$8,000 in aggregate. The Hospital carries an excess liability insurance policy for claims above these limits. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. The Hospital has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. The accrued self-insured professional liability losses have been discounted at 2% and 4% respectively, and in management's opinion provide an adequate reserve for loss contingencies. As of June 30, 2012 and 2011, respectively, \$10,220 and \$10,953 have been reserved for professional liability loss contingencies.

The Hospital established a trust for the purpose of setting aside assets based on actuarial funding recommendations. Under the trust agreement, the trust assets can only be used for payment of malpractice losses, related expenses and the cost of administering the trust. The assets of the trust are reported in assets limited as to use; income from trust assets, administrative costs and the Hospital's annual estimate of malpractice losses are reported in the statements of operations and changes in net assets.

The Hospital is self-insured for general liability claims beginning March 1, 2004 up to an annual limit of \$1,000 per claim and \$3,000 in aggregate. The Hospital carries an excess liability insurance policy for claims above these limits.

Peninsula Regional Medical Center

Notes to Financial Statements (continued) (In Thousands)

8. Estimated Self-Insured Liability Claims and Workers' Compensation (continued)

The Hospital is also self-insured for workers' compensation up to an annual limit of \$400 per occurrence. The Hospital carries an excess liability insurance policy for workers' compensation claims above this limit. As of June 30, 2012 and 2011, respectively, \$2,786 and \$2,592 have been reserved for workers' compensation loss contingencies.

9. Investments

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Fair values of all investments, including short-term investments, long-term investments, board-designated investments, and assets limited to use are based on quoted market prices and/or prices obtained from a third party using other market data for the same or comparable instruments and transactions in establishing the prices. Assets limited as to use also include the beneficial interest in the Foundation's temporarily restricted net assets which primarily consist of pledges receivable. Certain long-term pledges receivable have been discounted.

Fair value of investments and certain assets limited as to use held by the Hospital is summarized as follows:

	June 30	
	2012	2011
Investments:		
Cash and cash equivalents	\$ 15,068	\$ 14,368
U.S. treasury securities	22,360	20,118
Corporate bonds	45,607	37,067
Equity securities	114,965	111,410
Government sponsored mortgage-backed securities	22,479	19,013
Other (including pledges receivable held at the Foundation)	5,721	4,169
Total	<u>\$ 226,200</u>	<u>\$ 206,145</u>

Peninsula Regional Medical Center

Notes to Financial Statements (continued) (In Thousands)

9. Investments (continued)

ASC No. 320, *Investments – Debt and Equity Securities*, provides guidance on the recognition and presentation of other-than-temporary impairments. In addition, additional disclosures are required related to other-than-temporary impairments. Under this revised guidance, if a debt security is in an unrealized loss position and the Hospital has the intent to sell the debt security, or it is more likely than not that the Hospital will have to sell the debt security before recovery of its amortized cost basis, the decline in value is deemed to be other-than-temporary and is recorded to other-than-temporary impairment losses recognized in the performance indicator in the statements of operations. For impaired debt securities that the Hospital does not intend to sell or it is more likely than not that the Hospital will not have to sell such securities, but the Hospital expects that it will not fully recover the amortized cost basis, the credit component of the other-than-temporary impairment is recognized in other-than-temporary impairment losses recognized in the performance indicator in the statements of operations and the non-credit component of the other-than-temporary impairment is recognized as a change in unrestricted net assets.

The credit component of an other-than-temporary impairment is determined by comparing the net present value of projected future cash flows with the amortized cost basis of the debt security. The net present value is calculated by discounting the best estimate of projected future cash flows at the effective interest rate implicit in the debt security at the date of acquisition. Cash flow estimates are driven by assumptions regarding probability of default, including changes in credit ratings, and estimates regarding timing and amount of recoveries associated with a default. Furthermore, unrealized losses entirely caused by non-credit-related factors related to debt securities for which the Hospital expects to fully recover the amortized cost basis continue to be recognized as an unrealized loss on investments within the changes in unrestricted net assets.

Peninsula Regional Medical Center

Notes to Financial Statements (continued)
(In Thousands)

9. Investments (continued)

The following table shows the gross unrealized losses and fair value of the Hospital's investments with unrealized losses that are not deemed to be other than temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2012 and 2011:

	Fair Value < 1 year	Unrealized Losses < 1 year	Fair Value > 1 year	Unrealized Losses > 1 year	Total Unrealized Losses
June 30, 2012					
U.S. Treasury Government sponsored mortgage-backed securities	\$ 10,471	\$ 100	\$ -	\$ -	\$ 100
Corporate debt securities	5,838	55	-	-	55
Equity securities	2,807	40	-	-	40
Total investments	<u>\$ 39,891</u>	<u>\$ 1,713</u>	<u>\$ 31</u>	<u>\$ 2</u>	<u>\$ 1,715</u>
June 30, 2011					
Government sponsored mortgage-backed securities	\$ 10,647	\$ 111	\$ -	\$ -	\$ 111
Corporate debt securities	6,429	86	-	-	86
Equity securities	14,395	922	1,260	146	1,068
Total investments	<u>\$ 31,471</u>	<u>\$ 1,119</u>	<u>\$ 1,260</u>	<u>\$ 146</u>	<u>\$ 1,265</u>

Peninsula Regional Medical Center

Notes to Financial Statements (continued) (In Thousands)

10. Fair Value Measurements

ASC No. 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides 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 unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC No. 820 are described below:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.
- Level 2 – Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability; and
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Peninsula Regional Medical Center

Notes to Financial Statements (continued)
(In Thousands)

10. Fair Value Measurements (continued)

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

The following table presents the Hospital's assets and liabilities measured at fair value, aggregated by level in the fair value hierarchy within which those measurements fall:

	Assets at Fair Value as of June 30, 2012			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 15,068	\$ —	\$ —	\$ 15,068
U.S. treasury securities	22,360	—	—	22,360
Corporate debt securities	—	45,607	—	45,607
Mortgage-backed securities	—	22,479	—	22,479
Publicly traded equity securities	114,965	—	—	114,965
Other	928	2,467	2,326	5,721
Total assets	\$ 153,321	\$ 70,553	\$ 2,326	\$ 226,200

	Assets at Fair Value as of June 30, 2011			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 14,368	\$ —	\$ —	\$ 14,368
U.S. treasury securities	20,118	—	—	20,118
Corporate debt securities	—	37,067	—	37,067
Mortgage-backed securities	—	19,013	—	19,013
Publicly traded equity securities	111,010	400	—	111,410
Other	873	357	2,939	4,169
Total assets	\$ 146,369	\$ 56,837	\$ 2,939	\$ 206,145

Peninsula Regional Medical Center

Notes to Financial Statements (continued) (In Thousands)

10. Fair Value Measurements (continued)

The fair values of securities are determined by third-party service providers utilizing various methods dependent upon the specific type of investment. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Where significant inputs, including benchmark yields, broker-dealer quotes, issuer spreads, bids, offers, the LIBOR curve and measures of volatility, are used by these third-party dealers or independent pricing services to determine fair values, the securities are classified within Level 2.

Long-term pledges receivable, which are measured at fair value on a non-recurring basis, are discounted to net present value upon receipt using an appropriate risk-free discount rate based on the term of the receivable. Pledges receivable are recorded net of an allowance for uncollectible pledges. The following table provides a reconciliation of the beginning and ending balances of pledges receivable at fair value that used significant unobservable inputs (Level 3):

	Year Ended June 30	
	2012	2011
Pledges receivable		
Balance at July 1	\$ 2,939	\$ 3,187
New pledges	275	482
Collections on pledges	(815)	(667)
Write-off of pledges	(197)	(133)
Changes in reserves	124	70
Balance at June 30	<u>\$ 2,326</u>	<u>\$ 2,939</u>

11. Pension Plan

The Hospital has a cash balance-type defined benefit pension plan covering substantially all of its employees. The Plan benefits are based on years of service and the employees' compensation during the last five years of covered employment. The Hospital's funding policy is to make sufficient contributions to the Plan to comply with the minimum funding provisions of the Employee Retirement Income Security Act. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

The Peninsula Regional Medical Center PensionPlus Plan (the Plan) provides annual allocations to a participant's hypothetical account. When a participant retires, the participant has the choice to receive a lump-sum distribution equal to the value of the hypothetical account or to receive an annuity based on the value of the hypothetical account.

Peninsula Regional Medical Center

Notes to Financial Statements (continued) (In Thousands)

11. Pension Plan (continued)

Prior to January 1, 2009, the Plan provided three different allocations: (i) a service-related allocation, (ii) an age-related allocation and (iii) a matching allocation. Both the service-related allocation and the age-related allocation were determined by multiplying a participant's annual compensation by a certain percentage. The matching allocation operated to provide an annual allocation in the Plan based on the participant's contribution to the Hospital's 403(b) Plan.

The IRS issued new regulations that were effective as of January 1, 2009. The new regulations prohibited a pension plan from providing a matching allocation based on a participant's contributions to a different plan. The Plan provided a matching allocation based on a participant's contribution to a 403(b) Plan. In order to comply with the new tax law requirements, the Plan was amended effective as of December 31, 2008, to eliminate future matching allocations in the Plan. At the same time, the Hospital adopted a 403(b) plan effective as of January 1, 2009 and provided a replacement matching contribution in the 403(b) plan.

The assets of the Plan are available to pay the benefits of eligible employees of all participating entities. The Plan had an unfunded liability of \$9,112 and a prepaid asset of \$2,016 as of June 30, 2012 and 2011, respectively.

Peninsula Regional Medical Center

Notes to Financial Statements (continued)
(In Thousands)

11. Pension Plan (continued)

The following provides a reconciliation of the changes in fair value of the Plan's assets and projected benefit obligations, and the Plan's funded status:

	<u>2012</u>	<u>2011</u>
Accumulated benefit obligation	\$ 94,241	\$ 79,466
Projected benefit obligation, beginning of year	\$ 85,231	\$ 80,834
Service cost	3,926	3,825
Interest cost	5,024	4,444
Actuarial loss (gain)	11,094	(1,133)
Benefits paid	(3,634)	(2,739)
Projected benefit obligation, end of year	<u>101,641</u>	<u>85,231</u>
Fair value of plan assets, beginning of year	87,247	66,224
Actual gain on plan assets	1,816	12,762
Employer contributions	7,100	11,000
Benefits paid	(3,634)	(2,739)
Fair value of plan assets, end of year	<u>92,529</u>	<u>87,247</u>
Fair value of plan assets (less than)/ greater than projected benefit obligation	<u>(9,112)</u>	<u>2,016</u>
(Accrued)/prepaid pension cost recorded in the balance sheets	<u>\$ (9,112)</u>	<u>\$ 2,016</u>

Components of net periodic benefit cost are as follows:

	<u>Year Ended June 30</u>	
	<u>2012</u>	<u>2011</u>
Service cost	\$ 3,926	\$ 3,825
Interest cost	5,025	4,444
Expected return on plan assets	(6,796)	(6,214)
Amortization of prior service credit	(126)	(126)
Recognized net actuarial loss	2,106	2,661
Net periodic benefit cost	<u>\$ 4,135</u>	<u>\$ 4,590</u>

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

11. Pension Plan (continued)

Net amount recognized in unrestricted net assets that have not been recognized in net periodic benefit cost are as follows:

	<u>2012</u>	<u>2011</u>
Net actuarial loss	\$ 44,308	\$ 30,341
Prior service credit	(566)	(692)
Total recognized in unrestricted net assets	<u>\$ 43,742</u>	<u>\$ 29,649</u>

The estimated net actuarial loss and prior service credit for the Plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are \$3,343 and (\$126), respectively.

Weighted average assumptions used to determine projected benefit obligations and net periodic benefit costs at June 30 were as follows:

	<u>2012</u>	<u>2011</u>
Projected benefit obligation		
Discount rate	4.00%	6.00%
Rates of increase in compensation levels	3.70	3.70
	<u>2012</u>	<u>2011</u>
Net periodic benefit cost		
Discount rate	6.00%	5.60%
Rates of increase in compensation levels	3.70	5.00
Expected long-term rate of return on assets	7.50	7.75

Peninsula Regional Medical Center

Notes to Financial Statements (continued)
(In Thousands)

11. Pension Plan (continued)

The defined benefit pension plan asset allocation as of the measurement date (June 30) and the target asset allocation, presented as a percentage of total plan assets, were as follows:

	2012	2011	Target Allocation
Debt securities	33%	30%	25% –40%
Equity securities	64	65	45% –75%
Cash and cash equivalents	3	5	1% –10%
Total	100%	100%	

The Hospital’s defined benefit plan invests in a diversified mix of traditional asset classes. Investments in U.S. equity securities and fixed income securities are made to maximize long-term results while recognizing the need for adequate liquidity to meet ongoing benefit and administrative obligations. Risk tolerance of unexpected investment and actuarial outcomes is continually evaluated by understanding the pension plan’s liability characteristics. This is performed through forecasting and assessing ranges of investment outcomes over short- and long-term horizons, and by assessing the Hospital’s financial condition and its future potential obligations from both the pension and general operational requirements. Complementary investment styles, such as growth and value equity investing techniques, are utilized by the Hospital’s investment advisors to further improve portfolio and operational risk characteristics. Equity investments, both active and passively managed, are used primarily to increase overall plan returns. Fixed income investments provide diversification benefits and liability hedging attributes that are desirable, especially in falling interest rate environments.

Asset allocations and investment performance are formally reviewed at regularly scheduled meetings of the Hospital’s Financial Resources Committee.

The overall rate of expected return on assets assumption was based on historical returns, with adjustments made to reflect expectations of future returns. The extent to which the future expectations were recognized included the target rates of return for the future, which have not historically changed.

Peninsula Regional Medical Center

Notes to Financial Statements (continued)
(In Thousands)

11. Pension Plan (continued)

The fair value of the Hospital's pension plan assets as of June 30, 2012 and June 30, 2011, by asset category (see Note 10, *Fair Value Measurements*, for a description of the asset categories) are as follows:

June 30, 2012	Level 1	Level 2	Level 3	Total
Assets				
Investments at fair value:				
Cash and cash equivalents	\$ 3,114	\$ –	\$ –	\$ 3,114
U.S. Treasuries	7,499	–	–	7,499
Government sponsored mortgage-backed securities	–	5,102	–	5,102
Corporate debt securities	–	24,251	–	24,251
Publically traded equity securities	52,155	–	–	52,155
Other	408	–	–	408
Total investments	\$ 63,176	\$ 29,353	\$ –	\$ 92,529
June 30, 2011	Level 1	Level 2	Level 3	Total
Assets				
Investments at fair value:				
Cash and cash equivalents	\$ 864	\$ –	\$ –	\$ 864
U.S. Treasuries	5,396	–	–	5,396
Government sponsored mortgage-backed securities	–	4,792	–	4,792
Corporate debt securities	–	15,461	–	15,461
Money market funds	4,269	–	–	4,269
Publically traded equity securities	55,929	182	–	56,111
Other	354	–	–	354
Total investments	\$ 66,812	\$ 20,435	\$ –	\$ 87,247

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

U.S. Treasuries: the fair value is determined by an active price for an identical security in an observable market.

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

11. Pension Plan (continued)

Corporate debt securities and government sponsored mortgage-backed securities: the fair value is estimated using quoted prices for similar assets in active markets or quoted prices for identical or similar assets in non-active markets (few transactions, limited information, non-current prices, and high variability over time).

Money market funds: the carrying value of these money market funds approximates fair value as the maturities are less than three months.

Publically traded equity securities: the fair value is determined by market quotes for an identical security in an observable market.

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

Cash Flows

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

2013	\$	8,405
2014		8,565
2015		8,610
2016		8,411
2017		8,050
2018 – 2022		40,064

The Hospital intends to make voluntary contributions to the defined benefit pension plan of \$6 million through June 30, 2013. This funding level exceeds any regulatory requirements for 2012.

Peninsula Regional Medical Center

Notes to Financial Statements (continued) (In Thousands)

12. Commitments and Contingencies

Agreement with the Office of Inspector General

The Hospital received several subpoenas from the Office of Inspector General of the U.S. Department of Health and Human Services (“OIG”), requiring the production of certain documents related to claims for physician health care services provided by a former Medical Staff Member. These subpoenas were issued in connection with a civil investigation being conducted by the U.S. Attorney’s Office for the District of Maryland. In January 2011, the Hospital reached a tentative “Agreement in Principle”, which was ultimately approved by the U.S. Department of Justice, the OIG, the Office of Personnel Management (OPM), and the state of Maryland in August 2011, to resolve all remaining potential civil claims arising out of the Hospital’s medical services to patients of the physician. The Hospital reached this agreement without admitting liability in order to avoid the expense and uncertainty of litigation and to allow the Hospital to move forward. In this regard and consistent with the settlement, an amount of \$1.8 million was paid in June 2011 and recorded as an other expense in the accompanying 2011 statement of operations and changes in net assets. The settlement also includes a five year Corporate Integrity Agreement that will require the Hospital to establish and/or enhance various compliance processes and also have several independent peer review reports completed on an annual basis.

Other

The Hospital has been named as a defendant in various lawsuits arising from the performance of its normal activities. In the opinion of the Hospital’s management, after discussion with legal counsel, the amount, if any, of the Hospital’s ultimate liability under these lawsuits will not have a material adverse effect on the financial position of the Hospital.

A portion of the Hospital’s revenues is received from health maintenance organizations and other managed care payors. Managed care payors generally use case management activities to control utilization. These payors also have the ability to select providers offering the most cost-effective care. Management does not believe that the organization has undue exposure to any one managed care payor.

The Hospital’s revenues may be subject to adjustment as a result of examination by government agencies or contractors based upon differing interpretation of government regulations, medical diagnosis, charge coding, medical necessity, or other contract terms. The resolution of these matters, if any, often is not finalized until subsequent to the period during which the services

Peninsula Regional Medical Center

Notes to Financial Statements (continued) (In Thousands)

12. Commitments and Contingencies (continued)

were rendered. Section 302 of the Tax Relief and Health Care Act of 2006 authorized a permanent program involving the use of third-party recovery audit contractors (RACs) to identify Medicare overpayments and underpayments made to providers. We have established protocols to respond to RAC requests and payment denials. Payment recoveries resulting from RAC reviews are appealable through administrative and judicial processes, and we intend to pursue the reversal of adverse determinations where appropriate. In addition to overpayments that are not reversed on appeal, we will incur additional costs to respond to requests for records and pursue the reversal of payment denials. As of June 30, 2012, the Hospital has recorded an estimated reserve regarding the Medicare overpayments. In the opinion of the Hospital's management, the ultimate settlement of this matter will not have a material adverse effect on the financial position of the Hospital.

As part of a national investigation, the Hospital is working on a data request by the Department of Justice (DOJ) regarding the Medicare programs coverage guidelines for the implantation of implantable cardioverter defibrillators (ICD's). As of June 30, 2012, no case or demand for payment has been initiated by DOJ or Centers for Medicare and Medicaid Services (CMS).

On June 22, 2012, the Hospital filed a self disclosure to CMS, reporting technical violations of the self referral regulations (referred to as Stark). As of June 30, 2012, the Hospital does not believe the settlement of this issue will have a material adverse effect on the entity's financial statements.

13. Maryland Health Services Cost Review Commission

Certain Hospital charges are subject to review and approval by the Maryland Health Services Cost Review Commission (the Commission). Hospital management has filed the required forms with the Commission and believes the Hospital to be in compliance with Commission requirements.

The current rate of reimbursement for principally all inpatient services and certain other services to patients under the Medicare and Medicaid programs is based on an agreement between the Centers for Medicare and Medicaid Services and the Commission. This agreement is based upon a waiver from Medicare prospective payment system reimbursement principles granted to the State of Maryland under Section 1814(b) of the Social Security Act and will continue as long as the rate of increase for costs per hospital inpatient admission in Maryland is below the national average. Management expects this agreement will remain in effect at least through June 30, 2013.

Peninsula Regional Medical Center

Notes to Financial Statements (continued) (In Thousands)

13. Maryland Health Services Cost Review Commission (continued)

The Commission and the Hospital entered into an agreement that is based on a rate methodology for those hospital service centers that provide inpatient services. Under this methodology, a target average charge per case is established for the Hospital based on past actual charges and case mix indices. The actual average charge per episode is compared with the target average charge per episode, and to the extent that the actual average exceeds or is less than the target, the difference adjusted for applicable penalties will reduce or increase the approved target for future rate years. For the year ended June 30, 2012, the Hospital was in compliance with its average charge per case target.

The Commission's rate-setting methodology for hospital service centers that provide both inpatient and outpatient services or only outpatient services consists of establishing an acceptable unit rate for defined inpatient and outpatient service centers within the hospital. The actual average unit charge for each service center is compared to the approved rate monthly and annually. Overcharges and undercharges due to either patient volume or price variances, adjusted for penalties where applicable, are applied to decrease (in the case of overcharges) or increase (in the case of undercharges) future approved rates on an annual basis.

The timing of the Commission's rate adjustments for the Hospital could result in an increase or reduction in rates due to the variances and penalties described above in a year subsequent to the year in which such items occur, and there is at least a possibility that the amounts may be material. The Hospital's policy is to record revenue based on actual charges for services to patients in the year in which the services are performed. The Hospital recognizes unbilled revenue for in-house patients.

14. Subsequent Events

The Hospital has evaluated subsequent events through September 21, 2012, the date the financial statements were issued.

Supplementary Information

Report of Independent Auditors on Supplementary Information

Board of Trustees
Peninsula Regional Medical Center

Our audit was conducted for the purpose of forming an opinion on the June 30, 2012 financial statements taken as a whole. The June 30, 2012 supplementary information is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

September 21, 2012

Peninsula Regional Medical Center

Summary of Operations
(In Thousands)

	Year Ended June 30				
	2012	2011	2010	2009	2008
Gross patient revenue	\$ 476,777	\$ 457,035	\$ 426,582	\$ 418,478	\$ 399,948
Deductions from revenue	98,742	76,983	58,173	50,440	45,406
Net patient service revenue	378,035	380,052	368,409	368,038	354,542
Other operating revenue	2,360	2,357	2,059	1,976	1,080
	380,395	382,409	370,468	370,014	355,622
Operating expenses	374,161	366,862	363,438	357,978	327,422
Income from operations	6,234	15,547	7,030	12,036	28,200
Nonoperating income (expense):					
Nonoperating income (expense)	6,974	12,164	10,304	(14,533)	12,033
Basis swap income (loss)	2,629	3,128	1,753	(3,344)	(1,927)
	9,603	15,292	12,057	(17,877)	10,106
Excess (deficit) of unrestricted revenue and other support over expenses	\$ 15,837	\$ 30,839	\$ 19,087	\$ (5,841)	\$ 38,306

Peninsula Regional Medical Center

Gross Patient Revenue
(In Thousands)

	Year Ended June 30	
	2012	2011
Total gross patient revenue:		
Routine care:		
Daily hospital care	\$ 102,899	\$ 115,624
Daily hospital care – nursery	6,129	6,550
Emergency services	22,241	21,364
Admissions charge	2,962	3,393
	<u>134,231</u>	<u>146,931</u>
Professional services:		
Pathology and clinical laboratory	33,858	32,298
Operating room	33,258	30,546
Pharmacy	55,219	50,150
Radiology:		
Diagnostic	5,454	4,738
Nuclear medicine	2,536	2,293
Special procedures	3,966	3,013
Ultrasound lab	3,497	3,077
C/T scanning and magnetic resonance imaging	7,999	7,596
Vascular lab	4,354	3,492
Radiation oncology	14,595	14,085
Medical oncology	6,463	6,232
Respiratory care and pulmonary function	9,545	9,811
Blood bank	1,860	1,959
Medical and surgical supplies	58,702	57,004
Delivery service	7,091	6,536
Anesthesiology	2,862	3,257
Electrocardiogram	516	429
Cardiac laboratory	14,500	12,652
Intravenous solutions	600	688
Lithotripsy	57	44
Physical, speech and occupational therapy	4,929	4,724
Neurological diagnostics	3,927	1,974
Cardiac rehabilitation	1,290	1,391
Family practice, clinic and diagnostic centers	18,396	17,650
Specialty practices	29,793	19,627
Transitional care	8,009	7,621
Recovery care	6,174	6,756
Observation service	3,096	461
	<u>342,546</u>	<u>310,104</u>
Gross patient revenue	<u>\$ 476,777</u>	<u>\$ 457,035</u>

Peninsula Regional Medical Center

Operating Expenses
(In Thousands)

	Year Ended June 30		Increase
	2012	2011	(Decrease)
Nursing services	\$ 97,092	\$ 94,459	\$ 2,633
Buildings and grounds	14,071	14,545	(474)
Laboratory	13,766	13,844	(78)
Materials management	6,330	7,184	(854)
Administration	26,227	26,020	207
Food services	3,996	4,066	(70)
Financial affairs and information systems	18,118	17,571	547
Respiratory services	5,137	5,325	(188)
Pharmacy	35,343	32,924	2,419
Radiology	14,318	14,369	(51)
Radiation oncology	5,002	4,706	296
Medical oncology	6,952	6,338	614
Physician services	6,552	7,518	(966)
Electrocardiology, neurological diagnostic, cardiac catheterization laboratory, family practice, lithotripsy, diagnostic and breast care centers	40,302	35,971	4,331
Physical, speech and occupational therapy	3,111	3,101	10
Admitting and registration	2,485	2,318	167
Education and training	1,396	1,258	138
Transitional care	2,276	2,241	35
Employee benefits, child care (exclusive of FICA)	27,000	27,274	(274)
Bad debts	16,616	17,411	(795)
Depreciation	21,812	21,829	(17)
Interest	6,213	6,544	(331)
Amortization of financing costs and deferred charge for retirement of debt	46	46	—
	\$ 374,161	\$ 366,862	\$ 7,299