Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana

Auditor's Report and Financial Statements

December 31, 2014 and 2013

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
December 31, 2014 and 2013

Contents

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Independent Auditor's Report

Board of Trustees
Columbus Regional Hospital
Columbus, Indiana

We have audited the accompanying balance sheets of Columbus Regional Hospital (Hospital), a component unit of Bartholomew County, Indiana, as of December 31, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Columbus Regional Hospital as of December 31, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, in 2014, the Hospital adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Reporting for Pensions - an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the pension information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

BKD, LLP

Indianapolis, Indiana
April 29, 2015

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Management's Discussion and Analysis
December 31, 2014
(Unaudited)

Introduction

Columbus Regional Hospital (CRH or Hospital) is a leading, not-for-profit provider of quality health care services in Columbus, Indiana, serving a ten-county region in southeastern Indiana. CRH's commitment to serving the community and being at the forefront of quality patient care is nationally recognized, as noted with numerous recognitions over the recent years including American Hospital Association's Quest for Quality Prize, Top 100 Community Hospitals by Becker's Hospital Review, Thomson Reuters 100 Top Hospitals, and US News & World Report's top hospitals in Indiana.

The Hospital also operates eight long-term care facilities in Indiana through various lease agreements and management agreements. These facilities had 11,411 admissions and 379,860 patient days in 2014. These facilities provide inpatient and therapy services throughout their respective geographic areas and support the Hospital's mission to provide quality care and services to the facilities' residents. In addition, the Hospital is the party to two wholly owned subsidiaries (Multi-County Health Network and Columbus Diagnostic Imaging) and several joint ventures, which are generally accounted for under the equity method. This includes a new joint venture called Inspire Health Partners, a new clinically integrated network to further improve quality and access in the region. The following discussion and analysis represents the activity and achievements of the Hospital alone.

CRH has one of the highest home county market shares in the state, and the Hospital's ten-county market share is the largest of any hospital serving the region that is situated between Indianapolis, Louisville and Cincinnati. CRH is a county-owned hospital licensed for 325 beds and operating 198 beds.

CRH provides emergency and surgical services and comprehensive care in numerous specialty areas. The Hospital has 1,550 employees, 225 physicians on medical staff, and 250 volunteers.

CRH has provided services to the following number of patients over the past three years:

Year	Inpatients	Outpatients	Total
2014	8,806	229,747	238,553
2013	8,949	222,317	231,266
2012	9,359	236,771	246,130

CRH introduced our new vision statement in 2014 - *to be your health and wellness partner for life* - to better reflect its direction and strategies. CRH is actively planning and moving forward with exciting new initiatives in the light of the ever-changing healthcare environment. As the health leader in its community and region, CRH is establishing the best course for its future that provides patients with the very best care and service at the best value. The Hospital kicked off a building project in 2014 to construct a new loading dock, an expanded cancer center, and a new two-story emergency department with a clinical observation unit. The loading dock was completed in early 2015, with the final phases of the project set for completion in early 2016. In order to accommodate this, CRH entered into a $74.2 million tax exempt bond issue at the end of 2014. $35.5 million of these bonds are new funds to pay for the project and the remaining balance is refinancing of existing bonds.

Business Strategy - Balanced Scorecard Approach

CRH uses the balanced scorecard methodology to measure our performance in five key pillar areas: People; Service; Quality & Safety; Growth & Innovation; and Financial Performance. CRH had its best, highest-rated overall scorecard in 2014. All are important measures, as CRH must balance the various indicators to ensure high quality patient care as it works toward its mission, *"To improve the health and well-being of the people we serve."*

People

CRH recognizes the strategic importance of having a committed and satisfied workforce, as it works to recruit and retain high performing staff. Employee retention rates at CRH are better than industry average, as are rates for registered nurse retention.

- One of CRH's core values is "Value Our Workforce" and its emphasis on physician engagement and employee engagement is incorporated into numerous initiatives across the year. Efforts resulted in these successes in 2014:
    - Employee Engagement is in the top 15% as compared to other hospitals across the country.
    - Physician satisfaction with the overall hospital is in the top 20% as compared to other hospitals in the country.
- CRH was ranked one of the Best Places to Work in Indiana and was also named a Hall of Fame organization for being named to the list seven out of nine years.
- CRH continues to focus on employee wellness through its Healthy Me program with incentives, health assessments, and ongoing education opportunities. Over 1,200 employees and spouses participated in the annual wellness assessment screening.
- The Hospital's All Workforce Event was held for the fourth year in September as a way to invest in the entire workforce to reinforce customer satisfaction best practices. A total of 1,635 employees, physicians, and volunteers attended the event.
- Volunteers are important members of CRH's extended workforce and graciously donate their time to support the mission of the Hospital. Columbus Regional Hospital volunteers donated more than 24,200 hours to CRH in 2014.

Service Excellence

CRH saw strong results in 2014 across all main clinical service areas that resulted in strong patient and family experience levels.

- All four service indicators achieved greater than the 75th percentile for patient satisfaction in 2014. This was a strong improvement from 2013 when the year ended with the four service areas only above the 50th percentile.
- The 7T Inpatient Rehabilitation team received Press Ganey's Guardian of Excellence Award for patient experience. The Press Ganey Guardian of Excellence Award is a nationally recognized symbol of achievement in health care. It honors top-performing facilities that consistently achieve the 95th percentile, or higher, for performance pertaining to the patient experience. 7T achieved the 99th percentile for patient satisfaction 7 out of the 12 months.

Quality & Safety Performance

Patient safety and quality are always the highest priority for CRH and our work is recognized by some of these most recent accomplishments:

- Columbus Regional Hospital has been recognized for its work in quality and patient safety for reducing readmissions by at least 20 percent and patient harm by at least 40 percent during the past three years. The Indiana Hospital Association (IHA) recognized CRH based on the results of the Partnership for Patients national campaign, created by the Centers for Medicare and Medicaid Services. CRH was one of 116 hospitals in Indiana that partnered with IHA to participate in the national initiative within a statewide network called Coalition for Care. Representatives from member hospitals attended educational sessions offered through IHA and the American Hospital Association's Health Research and Educational Trust to address readmissions, falls and patient and family engagement. Lean and Six Sigma programs and the adoption of patient advisory councils in health systems statewide have been instrumental in those organizations meeting Coalition of Care goals and initiatives.
- CRH's Cancer Center earned a three-year accreditation with commendation from the Commission on Cancer of the American College of Surgeons. Accreditation is given only to those facilities that have voluntarily committed to providing the highest level of quality cancer care and that undergo a rigorous evaluation process and review of their performance. Many other departments received accreditations: laboratory accreditation, heart failure center reaccreditation, NICHE reaccreditation, and lung cancer screening center accreditation.
- The Indiana Hospital Association and the Indiana March of Dimes Chapter recognized Columbus Regional Hospital for work to reduce elective deliveries before 39 weeks. Columbus Regional Hospital has a very low early elective delivery (EED) occurrence with only one reported since first quarter 2013. A great deal of hard work has gone into the efforts to reduce EED rates and sustain this change over time, and reinforces the commitment to providing the best care for mothers and babies.
- CRH's overall 30-day readmission rate remains lower than the Centers for Medicare and Medicaid Services (CMS) national database for key areas as pneumonia, heart attack, and heart failure.

Growth & Innovation

Innovation is one of CRH's core values to make healthcare better and serve as a benchmark for other community-based hospitals across the country. CRH's work with Lean and Six Sigma performance improvement tools is nationally recognized, as those are leveraged in process standardization projects to achieve better value for our patients. CRH is committed to using the latest technology and innovation to improve patient safety and outcomes. Some other examples of innovation and growth at CRH include:

- CRH kicked off a building project in 2014 with the construction of a new loading dock, expansion of the cancer center and an all new emergency department, with all to be completed by early 2016.
- Physician recruitment saw a higher number of new physicians than in recent years, with the addition of 16 new physicians to the medical staff including key areas of cardiology, ENT, GI and primary care. In addition, physiatry, a new specialty was added to the active medical staff to provide in-patient coverage to the rehab unit.
- Columbus Regional Hospital achieved Baby-Friendly designation - only the sixth in Indiana to receive the recognition at the time. The prestigious designation comes as part of the international Baby-Friendly Hospital Initiative (BFHI), a program sponsored by the World Health Organization and UNICEF, to encourage and recognize hospitals and birthing centers that offer the optimal level of care for breastfeeding mothers and their babies. Columbus Regional Hospital's Birthing Center had been working toward the baby-friendly designation for more than three years.
- The new WellConnect center in downtown Columbus, which opened in December 2013, saw steady increase across 2014 as the center offers a new way to experience health and wellness. The center includes a Care Center, wellness and health education classes, and Connection Specialists, a new role for CRH to provide resources to answer questions about health and wellness and navigate people to appropriate contacts for health needs.
- The cardiac cath lab reported strong volume and revenue growth in 2014. Cardiac rehabilitation relocated to its current location on the second floor, which will allow for more room for staff to work with patients on cardiac rehabilitation. Cardiac rehab also saw an increase in patient visits and revenue in 2014.
- CRH launched the MyCRH Patient Portal, giving patients access to their health records in one place, the ability to view lab results 36 hours following an inpatient stay, and the opportunity to view/download and transmit pertinent information to share with other care providers, among other features. A total of 5% of patients who sign up for the portal are required to access their health records via the portal as a requirement of the Affordable Care Act.

Focus on Finance

Columbus Regional Hospital's financial performance and activities for the year ended December 31, 2014 produced solid financial results allowing for the achievement of scorecard financial targets and favorable financial indicator benchmarking.

The accompanying financial statements present certain information with respect to the Hospital's financial position, results of operations and cash flows, which should be read in conjunction with the following discussion and analysis, along with the accompanying financial statements and notes. Selected financial and statistical data, as of and for the years ended December 31, are shown below:

Selected Financial Data and Statistics
(Dollars in Thousands)

	2014		2013 (Restated)		2012	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Summary of Operations						
Revenues	$ 347,217	100.0%	$ 263,054	100.0%	$ 233,046	100.0%
Salaries and benefits	91,524	26.4%	99,657	37.9%	102,401	43.9%
Supplies and drugs	42,011	12.1%	38,129	14.5%	36,190	15.5%
Purchased services and other operating expenses	165,471	47.7%	106,362	40.4%	67,024	28.8%
Depreciation and amortization	16,878	4.9%	18,278	6.9%	19,101	8.2%
Total expenses	315,884	91.0%	262,426	99.8%	224,716	96.4%
Income from operations	31,333	9.0%	628	0.2%	8,330	3.6%
Nonoperating income (expense), net	(1,413)	-0.4%	3,918	1.5%	8,071	3.5%
Capital grants	-	0.0%	-	0.0%	587	0.3%
Special items	-	0.0%	(251)	-0.1%	(5,741)	-2.5%
Increase in net position	$ 29,920	8.6%	$ 4,295	1.6%	$ 11,247	4.8%
Cash Flow Data						
Cash provided by operating activities	$ 37,768		$ 39,305		$ 19,041	
Cash used in noncapital activities	(6,161)		(5,030)		(2,806)	
Cash provided by (used in) financing activities	10,713		(19,926)		(32,368)	
Cash provided by (used in) investing activities	(136)		1,470		9,763	
Financial Position						
Current assets	$ 113,809		$ 84,917		$ 75,536	
Capital assets, net	121,942		122,925		130,538	
Other noncurrent assets and deferred outflows of resources	188,083		147,631		142,929	
Total assets and deferred outflows of resources	$ 423,834		$ 355,473		$ 349,003	
Long-term debt, including current portion	$ 78,299		$ 47,641		$ 52,206	
Other liabilities	58,639		50,857		44,117	
Total liabilities	$ 136,938		$ 98,498		$ 96,323	
Unrestricted net position	$ 180,891		$ 179,865		$ 172,479	
Net investment in capital assets	73,908		75,285		78,332	
Restricted net position	32,096		1,825		1,869	
Total net position	$ 286,895		$ 256,975		$ 252,680	
Days cash on hand	229.4		258.7		243.6	
Hospital Operating Data						
Number of beds (available for use)	178		178		178	
Inpatient discharges	8,806		8,949		9,359	
Average daily census	91		94		100	
Average length of stay	3.8		3.8		3.9	
Occupancy	51%		53%		56%	
Inpatient case mix	1.4140		1.3732		1.3757	
Outpatient visits	229,747		222,317		236,771	

Results of Operations

The Hospital's revenues depend upon inpatient occupancy levels, the ancillary services, and therapy programs ordered by physicians and provided to patients, the volume of outpatient procedures, and the charge and negotiated payment rates for such services. The Hospital's gross charges typically do not reflect what is actually paid. The Hospital has entered into agreements with third-party payers, including government programs and managed care health plans, under which payments for healthcare services provided to patients are based upon predetermined rates per diagnoses or discounts from gross charges. In addition, the Hospital's policy is to also provide a discount to uninsured patients. This discount is similar to the discount provided to local managed care health plans.

The Hospital receives a significant portion of its revenues from government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. Gross patient revenues from the Medicare and Medicaid programs have been trending steady, only changing slightly in the past three years. Governmental reimbursement policies continue to limit or reduce the levels of payments from these programs.

The approximate percentages of gross patient revenues by payer for the Hospital are set forth below:

	2014	**2013**	**2012**
Medicare	47.1%	47.9%	47.0%
Medicaid	12.2%	12.0%	11.3%
Managed care plans	31.0%	31.4%	32.8%
Other	9.7%	8.7%	8.9%

Revenues for the year ended December 31, 2014 increased 32.1% to $347.2 million from $263.1 million in 2013. 2013 revenues were also up, approximately 13.2%, when compared to 2012 revenues, which totaled $233.0 million. Increases in revenue can be attributed to new services and pricing adjustments. Inpatient discharges for 2014 were down 1.6% and 5.9%, respectively, when compared to inpatient discharges for 2013 and 2012. Outpatient volumes in 2014 were up about 3.3% when compared to 2013. Revenues for 2012 - 2014 were also impacted by the implementation of the Hospital Assessment Fee (HAF) program, which increased net patient revenues from the Medicaid program.

Total operating expenses increased 20% in 2014 to $315.9 million from $262.4 million in 2013 and up 11.9% when compared to operating expenses in 2012, which totaled $224.7 million. The greatest driver of increased operating expenses for 2014 were fees totaling $14 million required by the HAF program. Salaries and benefits and supplies decreased 8.2% and increased 10.2%, respectively. Purchased services and depreciation were up 55.6% and down 7.7%, respectively. The Hospital continues its efforts at controlling costs and improving efficiencies throughout all departments using Lean Sigma and other process standardization and improvement tools.

Income from operations for 2014 and 2013 totaled $31.3 million and $629 thousand, which was decreased from $8.3 million for 2012. Net nonoperating expense for 2014 totaled $(1.4) million, which included investment gains, interest expense, bond issuance costs and contributions to related organizations. Net nonoperating income for 2013 and 2012 also consisted of investment gains, interest expense and contributions to related organizations and totaled $3.9 million and $8.1 million, respectively. In 2012, CRH determined that some construction costs previously incurred were impaired and recorded a special loss item totaling $5.7 million. Increase in net position for 2014 totaled $29.9 million compared to increases in net position that totaled $4.3 million for 2013 and $11.2 million in 2012.

Financial Position

Cash provided by operating activities in 2014 totaled $37.8 million. This compares to cash provided by operating activities of $39 million in 2013 and $19 million in 2012. The increase in the amount of cash provided from operating activities since 2012 resulted from greater cash payments to suppliers and employees, as well as more timely collection of payments following the system conversion in 2012. Capital expenditures totaled $18.1 million for 2014 and included new additions to the Hospital. As of December 31, 2014, the Hospital's construction in progress totaled $8.6 million, which includes a replacement loading dock, an expanded emergency department and new cancer center. Capital expenditures for 2013 totaled $13.4 million with construction in progress of $1.3 million at the end of the year. Capital expenditures for 2012 totaled $25.8 million and construction in progress at the end of the year totaled $1.8 million.

Current assets increased to $113.8 million for 2014 compared to $84.9 million in 2013 and $75.5 million in 2012. The $29 million increase for 2014 was largely due to increased cash balances from the strong year for the Hospital, as well as four new long-term care facilities. Other noncurrent cash and investments increased to $171.0 million for 2014 compared to $134.0 million for 2013 and $121.5 million for 2012. The increase can be attributed to internally designated funds for capital projects from the 2014 bond issuance. A summary of other noncurrent assets is presented in the table below:

Noncurrent Assets (dollars in millions)	2014	2013	2012
Internally designated funds	$ 171.0	$ 134.0	$ 121.5
Other assets	9.5	10.0	13.5
Total noncurrent assets (excluding capital assets)	$ 180.5	$ 144.0	$ 135.0

The Hospital had $78.3 million in long-term debt at December 31, 2014 compared to $47.6 million for 2013 and $52.2 million for 2012. In 2014, the Hospital issued 2014A and 2014B bonds for $74.2 million, refunding the Indiana Finance Authority Variable Rate Demand Revenue Bonds, Series 2009A and Series 2009B.

Economic Outlook

The healthcare industry continues to be challenged with how the new era under the Affordable Care Act will impact the overall healthcare delivery model for hospitals, physicians and other healthcare providers. The traditional model of fee-for-service continues for hospitals and physicians, while trying to work at the same time in population health management which has a different reimbursement approach. The promises of this new era are an exciting time to further improve access, reduce costs and improve quality for the American healthcare consumer, but it requires fundamental shifts in business and care delivery models.

The economic outlook for the geographic location where Columbus Regional Hospital is positioned in Columbus, Indiana is overall a positive one. Columbus, Indiana is home to more mechanical engineers per capita than any other community in the United States, due to the global headquarters office of Cummins. This contributes to Columbus having the 25th highest per capita income among the 381 metropolitan areas measured by the US Bureau of Economic Analysis for 2013. Yet, Columbus, Indiana has a diverse socioeconomic population, with nearly 50% of school children qualifying for free or reduced lunch rates in Columbus schools.

Columbus has experienced steady job growth over the past several years as it remains a strong hub for manufacturing companies with its convenient location situated within an hour of Indianapolis, Louisville and Cincinnati. The presence of Cummins continues to expand in Columbus and the southeastern Indiana region, which continues to bring new high-income engineering and business jobs.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional information, contact the Hospital Chief Financial Officer's Office at 2400 East 17th Street Columbus, IN 47201.

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Balance Sheets
December 31, 2014 and 2013

Assets and Deferred Outflows of Resources

	2014	2013 (Restated)
Current Assets		
Cash and cash equivalents	$ 48,354,257	$ 36,433,810
Patient accounts receivable, less allowance for uncollectible accounts ($6,946,787 in 2014 and $5,266,783 in 2013)	34,796,270	30,653,335
Grants receivable	5,088,901	5,088,901
Other receivables	15,987,166	4,619,939
Inventories	3,146,579	2,974,836
Prepaid expenses	4,635,701	3,356,520
Restricted current assets limited as to use	1,800,456	1,789,790
Total current assets	113,809,330	84,917,131
Noncurrent Cash and Investments		
Internally designated	140,752,967	133,997,043
Trustee-held funds, less current	30,276,737	23,151
Total noncurrent cash and investments	171,029,704	134,020,194
Capital Assets		
Plant and equipment	330,637,692	326,134,760
Less accumulated depreciation	219,077,793	206,265,177
	111,559,899	119,869,583
Land	1,786,052	1,770,052
Construction in progress	8,596,396	1,285,621
Capital assets, net	121,942,347	122,925,256
Other Assets		
Notes receivable, related party	3,746,283	3,759,270
Joint venture investments and other notes receivable	4,769,727	5,330,238
Goodwill	940,768	940,768
Total assets	416,238,159	351,892,857
Deferred Outflows of Resources		
Losses in debt refunding	1,034,628	1,182,432
Interest rate swap agreements	2,350,904	2,398,193
Pension	4,210,000	-
Total deferred outflows of resources	7,595,532	3,580,625
Total assets and deferred outflows of resources	$ 423,833,691	$ 355,473,482

Liabilities and Net Position

	2014	2013 Restated
Current Liabilities		
Accounts payable	$ 20,498,273	$ 12,287,707
Salaries, wages and related liabilities	8,960,471	11,249,402
Accrued interest payable	191,289	350,521
Estimated third-party payer settlements	3,687,778	4,532,154
Other accrued liabilities	17,301,740	14,591,433
Current portion of long-term debt	5,070,000	4,755,000
Total current liabilities	55,709,551	47,766,217
Fair Value of Interest Rate Swap Agreements	2,350,904	2,398,193
Long-Term Obligations	73,228,673	42,885,593
Accrued Pension Cost	5,649,126	5,448,052
Total liabilities	136,938,254	98,498,055
Net Position		
Unrestricted	180,891,198	179,865,319
Net investment in capital assets	73,908,370	75,284,663
Restricted	32,095,869	1,825,445
Total net position	286,895,437	256,975,427
Total liabilities and net position	$ 423,833,691	$ 355,473,482

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2014 and 2013

	2014	2013 (Restated)
Operating Revenue		
Net patient service revenue, net of provision for uncollectible accounts of $14,244,756 in 2014 and $9,323,324 in 2013	$ 342,757,719	$ 257,256,907
Other operating revenue	4,459,510	5,797,366
Total operating revenue	347,217,229	263,054,273
Operating Expenses		
Salaries and wages	69,023,843	67,722,588
Employee benefits	22,500,169	31,934,559
Fees	17,008,914	16,063,476
Supplies	42,011,221	38,128,816
Purchased services	125,825,184	81,414,525
Depreciation and amortization	16,878,263	18,278,163
Insurance	3,611,398	2,276,085
Hospital assessment fee	14,096,046	5,254,558
Other	4,929,302	1,352,853
Total operating expenses	315,884,340	262,425,623
Operating Income	31,332,889	628,650
Nonoperating Income (Expenses)		
Investment return	6,898,929	11,741,615
Interest expense	(1,905,333)	(2,108,811)
Contributions to related organizations	(5,157,376)	(4,565,585)
Other nonoperating expense	(1,249,099)	(1,149,430)
Total nonoperating income (expense)	(1,412,879)	3,917,789
Excess of Revenues Over Expenses Before Impairment of Assets	29,920,010	4,546,439
Special Item - Impairment of Assets	-	(251,051)
Increase in Net Position	29,920,010	4,295,388
Net Position, Beginning of Year, as previously reported	256,975,427	249,814,012
Adjustments for change in accounting principle	-	2,866,027
Net Position, Beginning of Year, as restated	256,975,427	252,680,039
Net Position, End of Year	$ 286,895,437	$ 256,975,427

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013 (Restated)
Operating Activities		
Cash received from patients and third-party payers	$ 337,770,408	$ 257,600,892
Cash payments to employees for services	(94,416,973)	(85,532,721)
Cash payments to suppliers for goods and services	(198,677,605)	(142,242,543)
Other cash received	(6,907,717)	9,477,975
Net cash provided by operating activities	37,768,113	39,303,603
Noncapital Financing Activities		
Contributions to related parties	(5,157,376)	(4,565,585)
Other nonoperating	(1,003,135)	(464,540)
Net cash used in noncapital financing activities	(6,160,511)	(5,030,125)
Capital and Related Financing Activities		
Principal paid on long-term debt	(43,475,000)	(4,455,000)
Proceeds from issuance of long-term debt	74,205,000	-
Interest paid on long-term debt	(1,905,333)	(2,071,845)
Acquisition and construction of capital assets	(18,111,535)	(13,398,794)
Net cash provided by (used in) capital and related financing activities	10,713,132	(19,925,639)
Investing Activities		
Investment income	5,651,643	2,997,201
Purchase of investments in assets limited as to use	(24,221,640)	(7,313,966)
Disbursements for loans receivable	280,848	(927,303)
Repayments of loans receivable	(559,888)	2,693,555
Sale of Columbus Urgent Care	-	219,690
Impairment of goodwill	-	251,051
Sale of investments in assets limited as to use	18,713,002	3,550,000
Net cash (used in) provided by investing activities	(136,035)	1,470,228
Net Increase in Cash and Cash Equivalents	42,184,699	15,818,067
Cash and Cash Equivalents at Beginning of Year	38,246,751	22,428,684
Cash and Cash Equivalents at End of Year	$ 80,431,450	$ 38,246,751

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Statements of Cash Flows (Continued)
Years Ended December 31, 2014 and 2013

	2014	2013 (Restated)
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	$ 48,354,257	$ 36,433,810
Cash and cash equivalents in assets limited as to use and noncurrent cash		
Held by trustee under bond indenture	32,077,193	1,812,941
Total cash and cash equivalents	$ 80,431,450	$ 38,246,751
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 31,332,889	$ 628,650
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation and amortization	16,878,263	18,278,163
Provision for uncollectible accounts	14,244,756	15,035,566
Change in assets and liabilities		
Patient accounts receivable and third party settlements	(19,232,067)	(14,691,581)
Other assets	(11,965,613)	4,508,574
Deferred outflows of resources	(4,210,000)	-
Current liabilities	10,719,885	15,544,231
Net cash provided by operating activities	$ 37,768,113	$ 39,303,603
Additional Cash Flows Information		
Property and equipment acquired through accounts payable	$ 3,228,643	$ 1,187,789
Impairment of capital asset recognized	-	251,051

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Columbus Regional Hospital (Hospital) is an acute care hospital located in Columbus, Indiana. The Hospital is a component unit of Bartholomew County (County) and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital pursuant to the provisions of Indiana Code 16-22-2-2. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in Bartholomew County and surrounding areas.

The Hospital also operates eight long-term care facilities through various lease agreements and management agreements. These facilities provide inpatient and therapy services throughout their respective geographic areas and support the Hospital's mission to provide quality care and services to the facilities' residents. The facilities are managed by third parties under various management agreements. The revenues from operations are the property of the Hospital and the Hospital is responsible for the associated expenses and working capital requirements.

The Hospital is the party to several joint venture activities, which are generally accounted for under the equity method, and are more fully described later in the notes to financial statements.

In accordance with this GASB Statement No. 61, the financial statements include the financial statements of Columbus Surgery Center, LLC, Multi-County Health Network, LLC and Columbus Area Radiology, LLC (dba Columbus Diagnostic Imaging). Each of these separate legal entities have been reported as blended component units of the Hospital.

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses.

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2014 and 2013, cash equivalents consisted primarily of money market accounts with banks.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. The Hospital insures itself from general liability and medical malpractice liability through participation in a reciprocal risk retention group. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Hospital is self-insured for a portion of its exposure to risk of loss from medical malpractice, employee health and workers compensation claims. Annual estimated provisions are accrued for the self-insured portion of the self-insured claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Investments and Investment Income

The investment in certain joint venture activities is reported on the equity method of accounting. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments, and the net change for the year in the fair value of investments carried at fair value.

Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Deferred Outflows of Resources

A deferred outflow of resources is a consumption of net position by the Hospital that is applicable to a future reporting period. Deferred outflows are reported in the statement of net position but are not recognized in the financial statements as expenses until the periods to which they relate. Deferred outflows of resources of the Hospital consist of deferred losses on debt refundings (defeasance costs), interest rate swap agreements and items related to the defined-benefit pension plan.

Deferred amounts on refunding, which are included in deferred outflows of resources on the balance sheets, represent losses incurred in connection with the refunding of various long-term debt. Such losses are being amortized over the shorter of the term of the respective original debt or the term of the new debt using the straight-line method.

Inventories

Supply inventories are stated at the lower of cost, determined using the first-in, first-out (FIFO) method or market.

Goodwill

Goodwill has a carrying value at December 31, 2014 and 2013 of $940,768 and $940,768, respectively. Goodwill is tested annually for impairment. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements. In 2013, the Hospital wrote off goodwill that was previously recorded on the books of Columbus Surgery Center, as a result of an impairment identified by management. There were no write-downs in the carrying amounts of goodwill during 2014.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense information about the fiduciary net position of the Hospital's defined-benefit pension plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension plan investments are reported at fair value.

During 2014, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Reporting for Pensions - an amendment of GASB Statement No. 27 (GASB 68)*. GASB 68 establishes accounting and financial reporting standards that redefine the value in which pension-related assets and liabilities are valued and the measurement of pension-related expenses. Certain items that were previously reported as assets and liabilities are reported as deferred inflows of resources or deferred outflows of resources in the accompanying financial statements. The standard also requires additional financial statement disclosures and actuarial valuation methods. Adoption of GASB 68 resulted in an increase of $2,866,027 in net position at January 1, 2013. These changes primarily resulted from the requirement of GASB 68 to recognize the funded status of the defined-benefit plan in the financial statements. Further information associated with the adoption of GASB 68 is included later in these notes.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Hospital:

Land improvements	10 - 15 years
Buildings and leasehold improvements	15 - 25 years
Equipment	3 - 10 years

Compensated Absences

Hospital policies permit most employees to accumulate vacation that may be realized as paid time off (PTO) or, in limited circumstances, as a cash payment. Employees earn 24, 29, 34 and 39 PTO days upon attaining specified years of employment. Part-time employees earn PTO hours on a pro rata basis on the specified years of employment. PTO days can be used for vacation, illness or bereavement.

Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Net Position

Net position of the Hospital is classified in three components. Net investment in capital assets, consist of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is remaining assets, less remaining liabilities that do not meet the definition of investment in capital assets or restricted.

Interest Rate Swap Agreements

The Hospital uses interest rate swap agreements to manage financial risks related to interest rate movements and the effects on its cash flows. The Hospital is accounting for the interest rate swap agreements as hedging instruments. As a result, the agreements are recorded at fair value in the balance sheets. The net cash payments or receipts under the interest rate swap agreements are recorded as an increase or decrease to interest expense.

Income Taxes

As an essential government function of the County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. In addition, the Hospital is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

Grants and Contributions

From time to time, the Hospital receives certain federal and state grants, as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the Hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Hospital recognizes revenue under the Medicare program ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

In 2013, the Hospital completed the second-year requirements under the Medicaid program and has recorded revenue of approximately $475,000, which is included in the other operating revenues in the statement of revenues, expenses and changes in net position. The Hospital also completed the first-year requirements under the Medicare program in 2013. Accordingly, the Hospital recognized revenue of approximately $2,000,000, which is included in other operating revenue in the statements of revenues, expenses and changes in net position.

In 2014, the Hospital completed the third-year requirements under the Medicaid program and has recorded approximately $120,000, which is included in other operating revenue in the statement of revenues, expenses and changes in net position. The Hospital also completed the second year requirements under the Medicare program in 2014. Accordingly, the Hospital recognized revenue of approximately $1,600,000, which is included in other operating revenue in the statements of revenues, expenses and changes in net position.

Special Item

Special items are defined as transactions or events either unusual in nature or infrequent in occurrence and within management's control. During 2013, the Hospital recognized charges of $251,051 that pertained to impairment of goodwill.

Long-Term Nursing Facilities

During 2013 and 2014, the Hospital acquired nursing home operations through the execution of licensing agreements, management agreements and lease agreements with various third parties. The nature of the agreements provide the Hospital the rights to all operating assets, government provider numbers and real estate. In connection with these agreements, the Hospital simultaneously entered into a management agreement with a third party to execute the operations of the nursing home. The agreements have cancellation clauses, without cause, given appropriate notice. As the Hospital is a non-state government-owned hospital, it is entitled to certain special Medicaid payments, which are reflected in the balance sheet and statements of revenues, expenses and changes in net position.

Note 2: Blended Component Units

The financial statements include the blended component unit accounts of Columbus Surgery Center LLC (CSC), Multi-County Health Network LLC (MCHN) and Columbus Diagnostic Imaging (CDI) as discussed in Note 1. The following is a financial summary of the component units as of December 31, 2014 and 2013.

	CSC		MCHN		CDI	
	2014	2013	2014	2013	2014	2013
Total current assets	$ -	$ 126,392	$ 33,963	$ 102,007	$ 270,141	$ 497,559
Total noncurrent assets	-	172,787	-	470	184,829	98,229
Total assets	$ -	$ 299,179	$ 33,963	$ 102,477	$ 454,970	$ 595,788
Total liabilities	$ -	$ 97,896	$ 17,204	$ 22,385	$ 117,913	$ 118,116
Net position	-	201,283	16,759	80,092	337,057	477,672
Total liabilities and net position	$ -	$ 299,179	$ 33,963	$ 102,477	$ 454,970	$ 595,788
Revenue	$ 17,497	$ 646,235	$ -	$ 79,966	$ 1,386,287	$ 1,448,815
Operating expenses	(29,957)	(1,525,731)	(163,333)	(283,389)	(1,876,902)	(1,894,724)
Nonoperating revenue (expenses)	(25,283)	(873,862)	-	-	-	49,020
Transfer from Hospital	(163,540)	391,787	100,000	217,872	350,000	874,561
Change in net position	(201,283)	(1,361,571)	(63,333)	14,449	(140,615)	477,672
Net position, beginning of year	201,283	1,562,854	80,092	65,643	477,672	-
Net position, end of year	$ -	$ 201,283	$ 16,759	$ 80,092	$ 337,057	$ 477,672

Note 3: Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

A summary of payment arrangements include:

Medicare. Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain inpatient nonacute services are paid based on a cost reimbursement methodology. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

Medicaid. Inpatient and outpatient services rendered to the Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to the service provided and the patient diagnosis.

Medicaid Disproportionate Share. The Hospital qualifies as a Medicaid Disproportionate Share Hospital (DSH) provider under Indiana Law (HEA 1095, Public Law 27-1992) and, as such, is eligible to receive certain supplemental Medicaid payments. The amounts of these supplemental Medicaid payments are dependent on regulatory approval by agencies of the federal and state governments and is determined by level, extent and cost of uncompensated care (as defined) and various other factors. Supplemental Medicaid payments under this program have been made by the state of Indiana, and the Hospital records such amounts as revenue when reasonably determined that the funds will be received. The Hospital recognized approximately $10.2 million and $11.2 million of net patient service revenue related to the supplemental Medicaid payment program for the years ended December 31, 2014 and 2013, respectively.

The Hospital also received approximately $22.7 million and $6.9 million during 2014 and 2013, respectively, due to the enactment of a state-specific provider assessment program to increase Medicaid payments to hospitals referred to as the Indiana Hospital Assessment Fee Program. This revenue is recorded within net patient service revenue in the statements of revenues, expenses and changes in net position for 2014 and 2013. The Hospital paid approximately $14.1 and $5.3 million into this Medicaid program in 2014 and 2013, which is recorded as an operating expense in the statements of revenues, expenses and changes in net position.

Approximately 58% and 48% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2014 and 2013, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The long-term care operations of the Hospital qualify for supplemental Medicaid payments through the Upper Payment Limit (UPL) program. The UPL is established to pay qualifying providers the difference between what Medicare would have paid and what Medicaid actually paid. The UPL is distributed through an intergovernmental transfer (IGT) arrangement. The Hospital is responsible for funding the IGT for the long-term care operations. Revenue associated with the UPL program is recorded net of IGT payments made to the program and are included in net patient service revenue. The Hospital recognized approximately $12.4 million and $5.7 million related to this supplemental payment program for the years ended December 31, 2014 and 2013, respectively.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

The 2014 net patient service revenue decreased approximately $360,000 due to removal of previously estimated amounts. The 2013 net patient service revenue decreased approximately $556,000 due to removal of previously estimated amounts.

Details of gross patient charges and contractual allowances are as follows:

	2014	2013
Gross patient charges		
Inpatients	$ 311,820,523	$ 240,484,821
Outpatients	295,958,025	268,632,001
	607,778,548	509,116,822
Charity care charges foregone	(10,143,159)	(10,076,989)
Provision for bad debt	(14,244,756)	(15,035,566)
Contractual allowances	(240,632,914)	(226,747,360)
Net patient service revenue	$ 342,757,719	$ 257,256,907

Note 4: Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as revenue. The Hospital maintains records to identify and monitor the level of charity care it provides, as well as the amount of charges foregone for services and supplies furnished under its charity care policy. During the years ended December 31, 2014 and 2013, charges excluded from revenue under its charity policy were $15,613,703 and $15,565,219, respectively. The estimated net cost of the charity care services provided, calculated using a cost to charge ratio methodology was $6,820,065 for 2014 and $6,791,105 for 2013.

Note 5: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law.

Deposits with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation (FDIC) or by the Indiana Public Deposit Insurance Fund (IPDIF). This includes any deposit accounts issued or offered by a qualifying financial institution. Accordingly, all deposits in excess of FDIC levels are covered by the IPDIF and are considered collateralized.

Investments

The Hospital may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

At December 31, 2014 and 2013, the Hospital had the following investments, all of which mature within one year:

	2014	2013
Cash equivalents - money market funds	$ 32,077,193	$ 1,812,941
Investments		
Mutual funds	$ 140,378,183	$ 133,745,882
Interest receivable	374,784	251,161
	$ 140,752,967	$ 133,997,043

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Hospital's investment policy states an expected duration of investments between two and five years. The money market account and mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Hospital's policy to limit its investments in money market funds with a rating of AAA or above by Standard & Poor's or Aaa or above by Moody's, with a maximum maturity of one year. At December 31, 2014 and 2013, the Hospital's investments in mutual funds were not rated by Standard & Poor or Moody. No investments are to be made by the Hospital in nonmarketable securities.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the Hospital's investments in repurchase agreements, equities and fixed income securities at December 31, 2014 and 2013 are held by the counterparties in other than the Hospital's name.

Concentration of Credit Risk - The Hospital establishes ranges by investment category to limit investment concentration. At December 31, 2014 and 2013, the Hospital's investment in mutual funds consisted of:

	2014	2013
PIMCO fixed income funds	11%	25%
Scout Core Plus Bond Fund Institutional	27%	28%
Mainstay ICAP Select Equity fund	11%	11%
Metropolitan West T/R Bond fund	14%	0%
Vanguard Institutional Index fund	9%	9%
Other funds	28%	27%
	100%	100%

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

	2014	2013
Carrying value		
Deposits	$ 80,431,450	$ 38,246,751
Investments	140,752,967	133,997,043
	$ 221,184,417	$ 172,243,794
Included in the following balance sheets captions		
Cash and cash equivalents	$ 48,354,257	$ 36,433,810
Current assets limited as to use	1,800,456	1,789,790
Noncurrent assets limited as to use	171,029,704	134,020,194
	$ 221,184,417	$ 172,243,794

Investment Return

Investment return for the years ended December 31, 2014 and 2013 consisted of:

	2014	2013
Interest and dividend income	$ 5,651,643	$ 2,997,201
Net increase in fair value of investments	1,247,286	8,744,414
	$ 6,898,929	$ 11,741,615

Note 6: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. The mix of accounts receivable from patients and third-party payers at December 31, 2014 and 2013 was as follows:

	2014	2013
Medicare	33.7%	35.4%
Medicaid	11.8%	15.0%
Other third-party payers	41.0%	39.3%
Individual patients	13.5%	10.3%
	100.0%	100.0%

Note 7: Investment in and Advances to Equity Investees

The Hospital participates as a joint owner in several companies. The investment by the Hospital in these companies is recorded in accordance with the equity method of accounting. Where the Hospital's ownership percentage is less than 20%, the cost method of accounting is used. A listing of the companies, ownership percentages and the net investment values as of December 31 are as follows:

Company Name - Description	Ownership %	2014 Investment Amount	2013 Investment Amount
Brown County Medical Coop LLC - Medical Office Building	50.00%	$ 639,562	$ 601,430
St. Vincent Jennings Hospital, Inc. - Nonprofit Corporation	10.00%	450,000	450,000
RCG Columbus, LLC - Outpatient Renal Dialysis Services	12.25%	181,921	181,921
United Hospital Services, LLC - Laundry Services	4.35%	262,722	262,722
inSpire Health Partners, LLC - Integrated Network	50.00%	89,971	-
Indiana Healthcare Reciprocal Risk Retention Group	11.00%	335,311	335,311
Total		$ 1,959,487	$ 1,831,384

Note 8: Capital Assets

Capital assets activity for the years ended December 31, 2014 and 2013 was:

2014

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 1,770,052	$ 16,000	$ -	$ -	$ 1,786,052
Land improvements	17,319,643	188,372	(67,198)	-	17,440,817
Buildings and leasehold improvements	182,149,138	3,588,482	(360,691)	(294,425)	185,082,504
Equipment	126,665,979	4,920,085	(3,471,693)	-	128,114,371
Construction in progress	1,285,621	9,948,455		(2,637,680)	8,596,396
	329,190,433	18,661,394	(3,899,582)	(2,932,105)	341,020,140
Less accumulated depreciation					
Land improvements	10,252,510	499,201	(63,247)	-	10,688,464
Buildings and leasehold improvements	107,258,185	6,818,313	(319,290)	-	113,757,208
Equipment	88,754,482	9,488,829	(3,245,422)	(365,768)	94,632,121
	206,265,177	16,806,343	(3,627,959)	(365,768)	219,077,793
	$ 122,925,256	$ 1,855,051	$ (271,623)	$ (2,566,337)	$ 121,942,347

2013

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 1,770,052	$ -	$ -	$ -	$ 1,770,052
Land improvements	17,255,014	64,629	-	-	17,319,643
Buildings and leasehold improvements	178,583,245	3,289,812	(1,252,711)	1,528,792	182,149,138
Equipment	119,198,266	6,809,312	(1,973,335)	2,631,736	126,665,979
Construction in progress	1,771,681	1,075,336	-	(1,561,396)	1,285,621
	318,578,258	11,239,089	(3,226,046)	2,599,132	329,190,433
Less accumulated depreciation					
Land improvements	9,749,244	503,266	-	-	10,252,510
Buildings and leasehold improvements	100,379,442	7,470,397	(604,181)	12,527	107,258,185
Equipment	77,911,190	10,193,662	(1,895,641)	2,545,271	88,754,482
	188,039,876	18,167,325	(2,499,822)	2,557,798	206,265,177
	$ 130,538,382	$ (6,928,236)	$ (726,224)	$ 41,334	$ 122,925,256

Note 9: Medical Malpractice Claims

Malpractice insurance coverage is provided on a claims-made basis. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently will be uninsured. However, the Indiana Malpractice Act (the Act) limits professional liability for claims prior to July 1, 1999 to a maximum recovery of $750,000 per occurrence ($3,000,000 annual aggregate), $100,000 of which would be paid through malpractice insurance coverage, and the balance would be paid by the State of Indiana patient Compensation Fund (the Fund). For claims on or after July 1, 1999, the maximum recovery is $1,250,000 per occurrence ($7,500,000 annual aggregate), $250,000 of which would be paid through insurance coverage and the remainder by the Fund.

During 2003, the Hospital became one-sixth a subscriber in a Vermont captive insurance company, Indiana Healthcare (previously named VHA Central), a reciprocal risk retention group. This captive insurance company was fully recognized by the Fund as of October 1, 2003. The initial capital contribution of $166,667 has been included in other assets, along with additional funds remitted thereafter of $168,644. Effective February 1, 2004, the captive insurer provided insurance coverage to the Hospital for the required portion of the insurance coverage pursuant to the Act as well as its liability insurance. In prior years, insurance coverage was provided by ProAssurance and PHICO Insurance Company (PHICO).

Note 10: Self-Insured Claims

Substantially all of the Hospital’s employees and their dependents are eligible to participate in the Hospital’s employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an annual aggregate amount $250,000 in 2014 and 2013. The Hospital is also self-insured for worker’s compensation claims. Commercial stop-loss insurance coverage is purchased for health claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital’s estimate will change by a material amount in the near term. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years.

Activity in the Hospital's accrued employee health claims liability, which is included in other accrued liabilities in the balance sheets, during 2014 and 2013 is summarized as follows:

	2014	2013
Balance, beginning of year	$ 1,676,153	$ 2,538,368
Current year claims incurred and changes in estimates for claims incurred in prior years	9,388,860	8,835,476
Claims and expenses paid	(9,433,486)	(9,697,691)
Balance, end of year	$ 1,631,527	$ 1,676,153

Note 11: Long-Term Obligations

The following is a summary of long-term obligation transactions for the Hospital for the years ended December 31, 2014 and 2013:

2014	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-Term Debt					
Indiana Health Facility Financing Authority Bonds Series 2014	$ -	$ 74,205,000	$ -	$ 74,205,000	$ 1,005,000
Indiana Health Facility Financing Authority Bonds Series 2009	39,675,000	-	(39,675,000)	-	-
Indiana Health Facility Financing Authority Bonds - Series 1993	7,865,000	-	(3,800,000)	4,065,000	4,065,000
	47,540,000	74,205,000	(43,475,000)	78,270,000	5,070,000
Plus: Unamortized bond premium	100,593	-	(71,920)	28,673	-
Total long-term debt	$ 47,640,593	$ 74,205,000	$ (43,546,920)	$ 78,298,673	$ 5,070,000

2013	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-Term Debt					
Indiana Health Facility Financing Authority Bonds Series 2009	$ 40,580,000	$ -	$ (905,000)	$ 39,675,000	$ 955,000
Indiana Health Facility Financing Authority Bonds - Series 1993	11,415,000	-	(3,550,000)	7,865,000	3,800,000
	51,995,000	-	(4,455,000)	47,540,000	4,755,000
Plus: Unamortized bond premium	211,431	-	(110,838)	100,593	-
Total long-term debt	$ 52,206,431	$ -	$ (4,565,838)	$ 47,640,593	$ 4,755,000

Revenue Bonds Payable

Indiana Health Facility Financing Authority Hospital Revenue Refunding Bonds, Series 1993, payable August 2015 are subject to mandatory redemption through the operation of a sinking fund, which commenced August 15, 2009. The amount of the principal payable at December 31, 2014 and 2013 totals $4,065,000 and $7,865,000, respectively. The unamortized bond issue premium at December 31, 2014 and 2013 totals $28,673 and $100,593. Interest is payable semiannually at 7.0%.

In July 1993, the Hospital issued its note to the Indiana Health Facility Financing Authority (IHFFA) securing the IHFFA Hospital Revenue Refunding Bonds, Series 1993, in the amount of $78,955,000. On August 15, 2003, a portion of the Series 1993 Bonds was called, leaving $23,440,000 outstanding. The Series 1993 Bonds are not collateralized by a pledge, grant or mortgage of any real property of the Hospital. However, the Hospital has covenanted not to create any lien on its property other than certain permitted encumbrances. In addition, the bond agreements require maintenance of a certain debt service coverage ratio, limit additional borrowings and require compliance with other restrictive covenants.

In November 2009, the Hospital issued its note to the Indiana Finance Authority securing the Indiana Finance Authority Variable Rate Demand Revenue Bonds, Series 2009A and Series 2009B in the amount of $43,095,000. The bonds were issued to refund the IHFFA Hospital Revenue Refunding Bonds, Series 2003.

In December 2014, the Hospital issued its note to the Indiana Finance Authority securing the Indiana Finance Authority Hospital Revenue Bonds, Series 2014A and Series 2014B in the amount of $74,205,000. The bonds were issued to refund the Indiana Finance Authority Variable Rate Demand Revenue Bonds, Series 2009A and Series 2009B, and provide additional funding for a new capital project. Annual principal payments are due serially through August 1, 2044. Interest rates vary with LIBOR and ranged from 1.948% to 2.048% at December 31, 2014.

The Series 2014 Bond issue requires the Hospital to maintain certain financial covenants similar to previous bond issues. In connection with refunding of the Series 2009 Bonds, the related loss on bond defeasance was deferred and is being amortized over the life of the Series 2014B bond issue.

The debt service requirements as of December 31, 2014, are as follows:

Years Ending December 31	Total to be Paid	Principal	Interest
2015	$ 6,672,117	$ 5,070,000	$ 1,602,117
2016	6,914,701	5,465,000	1,449,701
2017	7,105,691	5,770,000	1,335,691
2018	7,309,618	6,090,000	1,219,618
2019	7,522,125	6,425,000	1,097,125
2020 - 2024	21,606,913	17,695,000	3,911,913
2025 - 2029	9,731,859	6,755,000	2,976,859
2030 - 2034	9,725,561	7,485,000	2,240,561
2035 - 2039	9,728,874	8,305,000	1,423,874
2040 - 2044	9,728,428	9,210,000	518,428
	$ 96,045,887	$ 78,270,000	$ 17,775,887

Note 12: Line of Credit Agreement

The Hospital has an unsecured taxable line of credit providing up to $3,000,000 of nonrevolving credit. This line will mature in January 2015 and will be replaced with a $10,000,000 nonrevolving line of credit. As of December 31, 2014 and 2013, there were no borrowings against this line of credit.

Note 13: Interest Rate Swap Agreements

Objective of the Interest Rate Swap Agreements

The Hospital’s asset/liability strategy is to have a mixture of fixed- and variable-rate debt to take advantage of market fluctuations. As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations and to lower its borrowing costs when compared against fixed-rate debt at the time of issuance, the Hospital entered into interest rate swap agreements for its bonds. The intention of the swaps is to effectively change the Hospital’s variable interest rate on this note to a synthetic fixed rate.

Terms

The agreements required no initial net cash receipt or payment by the Hospital. The agreements provide for the Hospital to receive interest from the counterparty at a variable rate based on the London Interbank Offering Rate (LIBOR) and to pay interest to the counterparty at a fixed rate on notional amounts as set forth in the tables below:

Notional Amount	Trade Date	Effective Date	Termination Date	Fixed Rate Hospital Pays	Variable Rate Hospital Receives	Fair Value at December 31, 2014
$ 11,505,000	7/22/2003	8/13/2003	8/1/2022	3.335%	67% of LIBOR	$ (1,200,463)
12,940,000	6/8/2005	6/22/2005	8/1/2022	3.313%	65.2% of LIBOR + .33%	(1,150,441)
$ 24,445,000						$ (2,350,904)

Notional Amount	Trade Date	Effective Date	Termination Date	Fixed Rate Hospital Pays	Variable Rate Hospital Receives	Fair Value at December 31, 2013
$ 11,840,000	7/22/2003	8/13/2003	8/1/2022	3.335%	67% of LIBOR	$ (1,237,916)
13,320,000	6/8/2005	6/22/2005	8/1/2022	3.313%	65.2% of LIBOR + .33%	(1,160,277)
$ 25,160,000						$ (2,398,193)

Under the agreements, the Hospital pays or receives the net interest amount every 35 days, with the monthly settlements included in interest expense.

Fair Value

The fair values of the agreements are based on estimated discounted future cash flows determined using the counterparty's proprietary models based upon financial principles and estimated relevant future market conditions. The fair values of the agreements are recognized in other liabilities in the Hospital's balance sheets. As the swaps are effective hedging instruments, the offsetting balance is reflected as deferred outflows of resources on the Hospital's balance sheets. The changes in fair value of the swap agreements of $(47,289) and $(1,354,119) for the years ended December 31, 2014 and 2013, respectively, are shown as an adjustment to the carrying amount of the related deferred outflows of resources on the balance sheets.

Interest Rate Risk

The Hospital entered into the interest rate swap agreements as a means of limiting its exposure to fair value losses occurring from rising variable interest rates associated with various bonds. Beginning in 2004, the notional amount of the swap agreements declines by a corresponding amount each time a principal payment becomes due on the associated debt until the notional amounts for each agreement reach $0 at the termination of the swap agreements. At December 31, 2014, the notional amount of the interest rate swap agreements will decline as follows:

Maturities in Years			
Less Than 1	1-5	6-10	More Than 10
$ 750,000	$ 15,515,000	$ 8,180,000	$ -

Credit Risk

The fair value of each swap represents the Hospital's credit exposure to the counterparty as of December 31. Should the counterparties to these transactions fail to perform according to the terms of the swap agreements, the Hospital has a maximum possible loss equivalent to the fair value at that date. To mitigate the potential for credit risk, the swaps are insured by Assured Guaranty Corporation, which was rated A3 by Moody's Investors Service as of December 31, 2014 and 2013. The Hospital does not currently have a policy of requiring the counterparty post collateral in the event the Hospital becomes exposed to credit risk. The Hospital does not currently have a policy requiring a master netting agreement with the counterparty and does not currently have such an agreement in place.

Basis Risk

The swaps expose the Hospital to basis risk should the relationship between LIBOR and the prime rate set by the Hospital's lender change in a manner adverse to the Hospital. If an adverse change occurs in the relationship between these rates, the expected cost savings may not be realized.

Termination Risk

The Hospital or counterparty may terminate the swaps if the other party fails to perform under the terms of the contract. If the swaps were terminated, the variable-rate bonds would no longer have a synthetic fixed rate of interest. Also, if the swaps have a negative fair value at the time of termination, the Hospital would be liable to the counterparty for a payment equal to the fair value of the respective swap.

The change in the Hospital's fair value of interest rate swap agreements during 2014 and 2013 is summarized as follows:

	2014	2013
Balance, beginning of year	$ (2,398,193)	$ (3,752,312)
Change in market value	47,289	1,354,119
Balance, end of year	$ (2,350,904)	$ (2,398,193)

Swap Payments and Associated Debt

Using rates as of December 31, 2014, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are set forth in the table below. As rates vary, variable-rate interest payments and net swap payments will vary.

Years Ending December 31	2014 Bonds Principal	2014 Bonds Interest	Interest Rate Swap, Net	Total to be Paid
2015	$ 1,005,000	$ 1,425,150	$ 666,398	$ 3,096,548
2016	5,465,000	1,449,701	646,154	7,560,855
2017	5,770,000	1,335,691	580,244	7,685,935
2018	6,090,000	1,219,618	480,864	7,790,482
2019	6,425,000	1,097,125	377,918	7,900,043
2020 - 2024	17,695,000	3,911,913	433,562	22,040,475
2025 - 2029	6,755,000	2,976,859	-	9,731,859
2030 - 2034	7,485,000	2,240,561	-	9,725,561
2035 - 2039	8,305,000	1,423,874	-	9,728,874
2040 - 2044	9,210,000	518,428	-	9,728,428
	$ 74,205,000	$ 17,598,920	$ 3,185,140	$ 94,989,060

Note 14: Restricted and Designated Net Position

At December 31, 2014 and 2013, restricted net position was available for the following purposes:

	2014	2013
Debt service	$ 32,077,193	$ 1,812,941
Capital acquisitions	18,676	10,761
Specific operating activities	-	1,743
Total restricted net position	$ 32,095,869	$ 1,825,445

At December 31, 2014 and 2013, approximately $171 million and $134 million, respectively, of the Hospital's unrestricted net position has been designated by the Hospital's Board of Trustees for capital acquisitions. Designated portion of net position remain under the control of the Board of Trustees, which may, at its discretion, later use this net position for other purposes.

Note 15: Operating Leases

The Hospital leases various facilities under operating leases expiring at various dates through 2022. Total rental expense in 2014 and 2013 for all operating leases was approximately $10,300,000 and $5,700,000, respectively.

The following is a schedule of future minimum lease payments under operating leases as of December 31, 2014 that have initial or remaining lease terms in excess of one year:

2015	$ 8,990,502
2016	4,661,387
2017	4,430,401
2018	2,102,067
2019	387,114
2020 - 2022	1,189,092
Future minimum lease payments	$ 21,760,563

Note 16: Retirement Plans

General Information about the Pension Plan

The Hospital had a defined-benefit pension plan as authorized by IC 16-22-3-11, covering substantially all employees of the Hospital, which was frozen in December 2012. The plan provides retirement benefits to plan members and beneficiaries. The Hospital issues a publicly available financial report that includes financial statements and required supplementary information of the plan. That report may be obtained by writing to Columbus Regional Hospital, 2400 E. 17th Street, Columbus, Indiana 47201.

In September 2013, the Hospital's Board of Trustees decided to terminate and liquidate the defined-benefit pension plan in 2014, depending on regulatory approval, among other factors. The board's decision to terminate the plan resulted in a remeasurement of the plan in 2013. The plan froze benefits and eligibility on December 16, 2012.

Effective January 1, 2014, the Hospital adopted GASB Statement No. 68, *Accounting and Reporting for Pensions – an amendment of GASB Statement No. 27.* GASB 68 requires the Hospital to recognize the funded status of the pension plan and also required changes to the criteria in which the actuaries measure the plan assets and liabilities. The changes in financial statement measurement are required to be reported retrospectively in the 2013 accompanying financial statements. The results of this adoption require restatement of 2013 financial statements, including restatement of previously report pension asset to $0, establishment of a pension liability of $5,448,052 and increased pension expense by $10,904,052.

Benefits Provided

The plan provides retirement benefits to its participants. Each participant has an account that earns credit based upon a defined table that considers tenure with the Hospital, compensation earned during the course of their employment, annual interest credits and a final average pay credit. The amount of retirement income available to a participant is equal to 20% of the participants account balance, as described above, plus 20% of the participant's account balance for each year thereafter up to seven years.

Employees Covered by Benefit Terms

The plan is closed to new entrants effective December 16, 2012, which is the same date benefits were frozen.

At December 31, 2014 and 2013, the following employees were covered by the benefit terms:

	2014	2013
Active	1,403	1,605
Terminated-vested	373	343
Retired and beneficiary	116	109
Total	1,892	2,057

Contributions

The Hospital is required to contribute at an actuarially determined rate. The Columbus Regional Hospital Pension Committee is responsible for establishing the required plan contribution. The Hospital's contributions to the plan for 2014 and 2013 were $4,210,000 and $5,047,000, respectively.

Net Pension Liability

The Hospital's net pension liability was measured as of January 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment return	1%
Mortality tables	2014 IRS Static Mortality Tables

The expected rate of return on pension plan investments was determined based upon the pending termination as the investment mix has been converted to a conservative portfolio. Prior to the plan termination basis, investment return was 7%.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Expected Return
Cash equivalents	1%	0%
Fixed income	91%	1%
Common stock	8%	2%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 1% percent given the impending plan termination.

Changes in the Net Pension Liability

Beginning balance, as restated	$ 5,448,052
Contributions	5,047,000
Net investment return	3,548,870
Benefits paid	(5,361,724)
Fees, expenses and other	(276,274)
Actuarial change	(2,756,798)
Ending balance	$ 5,649,126

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended December 31, 2014 and 2013, the Hospital recognized pension expense of $201,074 and $12,601,660, respectively.

Any remaining expense will be recorded in 2015, which is the year in which the Hospital expects the plan to terminate.

Note 17: Commitments and Contingencies

Commitments

As of December 31, 2014, the Hospital had material commitments for acquisition of capital assets totaling approximately $31.6 million, primarily for a new building project to expand the emergency department and cancer center, which began during 2014.

The Hospital, along with two other hospitals, have agreed to guarantee a $1,000,000 reserve line of credit for the Innovative Physician Solutions, a Risk Retention Group, Inc. This company is an Arizona risk retention group insurer which provides cost-effective medical malpractice insurance coverage for the physicians in Bartholomew County and the surrounding region. The Hospital's maximum contingent liability under the pro rata guarantee is $425,000. No amount has been drawn on this line of credit.

Regulatory Audit

The Hospital is currently subject to a regulatory audit related to spending of federal expenditures. As of the date of the report, potential liabilities that may arise from the audit cannot be fully estimated. The Hospital has a recorded a reserve of approximately $2.7 million as of December 31, 2014, for management's best estimate of amounts that may potentially be paid back to the federal government. Events could occur that would cause the estimate to differ materially in the near term.

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. The Hospital is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Hospital's future financial position or results from operations. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 18: Related Party Transactions

The Hospital is related to several operating entities, which do not require presentation as component units within the Hospital's financial statements. These entities are related due to the existence of common directors. The following transactions and year-end balances are included in the financial statements of the Hospital:

Corporate Name/Nature of Relationship	2014	2013
Southeastern Indiana Health Management, Inc. (SIHM)		
Hospital purchases management services		
Management services expense	$ 4,699,044	$ 4,699,044
Rent expense	220,599	216,417
Director expense	334,340	-
Insurance expense	555,000	577,806
Note receivable	3,740,944	3,759,270
Contributions to related organizations	5,959,089	5,816,978
Investment income	135,270	136,442
Contract services reimbursed	13,237,406	12,287,898
Employee benefit reimbursement received	119,320	119,114
Miscellaneous income	619,628	616,900
Other receivables	272,926	188,669
Accounts payable	1,035,940	1,290,950
Prepaid insurance	308,000	292,000
Notes receivable (including interest) due from SIHM are made up of the following:		
Note due on demand, interest paid at prime	$ -	$ 9,000
Interest free note due December 2017	232,371	232,377
Note due on demand, interest paid at prime plus 1%	213,579	222,900
Long-term note due July 1, 2015, interest of 4%	3,294,994	3,294,993
	$ 3,740,944	$ 3,759,270
Columbus Regional Health Foundation, Inc.		
Hospital receives donations and makes contributions		
Contributions to the Foundation	$ 710,000	$ 726,000
Contributions received from the Foundation	65,548	126,424
Other receivables	23,434	17,337
Other payables	50,000	-
Our Hospice of South Central Indiana, Inc.		
Hospital purchases services		
Operating expenses	60,000	60,000
Miscellaneous sales to Hospice	147,844	208,432
Other receivables	57,023	16,110

Note 19: Patient Protection and Affordable Care Act

The Patient Protection and Affordable Care Act (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation required the establishment of health insurance exchanges, which provides individuals without employer provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible that the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products.

Another significant component of PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs may be substantially decreased. Each state's participation in an expanded Medicaid program is optional. In 2015, the state of Indiana expanded its Medicaid program with the implementation of the Healthy Indiana Plan (HIP) 2.0. Under HIP 2.0, the first $2,500 of beneficiary medical expenses are reimbursed from special savings accounts funded partly by the state and partly by the beneficiary. The impact of Medicaid expansion under the HIP 2.0 program on the Hospital's revenue is currently unknown.

The PPACA is extremely complex and may be difficult for the federal government and each state to implement. While the overall impact of the PPACA cannot currently be estimated, it is possible that it will have a negative impact on the Hospital's net patient service revenue. Additionally, it is possible the Hospital will experience payment delays and other operational challenges during PPACA's implementation.