

CONSOLIDATED FINANCIAL STATEMENTS AND OTHER INFORMATION
INDIANA UNIVERSITY HEALTH, INC. AND SUBSIDIARIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE
For the years ended December 31, 2015 and 2014

Indiana University Health, Inc. and subsidiaries
Management's Discussion of Financial Performance
As of and for the years ended December 31, 2015 and 2014
(Dollars in Thousands)

The financial statement information and other data as of December 31, 2015 and December 31, 2014 and for the years then ended are derived from the audited consolidated financial statements and other records of Indiana University Health, Inc. (Indiana University Health) and subsidiaries (collectively referred to herein as the Indiana University Health System). The consolidated financial statements include all adjustments, consisting of normal recurring and other accruals, which management of the Indiana University Health System considers necessary for a fair presentation of financial position, results of operations and changes in net assets, and cash flows for these periods in conformity with generally accepted accounting principles (GAAP) in the United States. The financial data relating to the Obligated Group and the Obligated Group and Affiliates, as defined in the Indiana University Health Obligated Group Master Trust Indenture, as amended, is provided as supplementary information.

The accompanying financial statement information should be read in conjunction with the audited consolidated financial statements and the notes thereto of Indiana University Health and subsidiaries as of and for the years ended December 31, 2015 and 2014 (not included herein).

Nature of Operations

The principal operating activities of the Indiana University Health System are conducted at owned facilities or majority-owned or controlled subsidiaries and consist of the following:

Downtown Hospitals of the Academic Health Center (Hospital Campuses) – Consist of three acute, tertiary, quaternary care, and diagnostic facilities, licensed as a single hospital, which constitutes the principal hospital activities of the academic health center and whose operations are located in the downtown area of Indianapolis, Indiana. These three hospitals, Methodist Hospital, University Hospital, and Riley Hospital, are located on or near the campus of Indiana University-Purdue University Indianapolis and the Indiana University School of Medicine (the School of Medicine).

Central Indiana Facilities – Consist of three acute care hospitals, a critical access hospital, and an acute care rehabilitation hospital located in the western and northern suburban areas of metropolitan Indianapolis, Indiana. Principal hospital subsidiaries include Indiana University Health North Hospital, Inc. (North), Indiana University Health Tipton Hospital, Inc. (Tipton), Indiana University Health West Hospital, Inc. (West), and Rehabilitation Hospital of Indiana, Inc. (RHI). Indiana University Health Saxony Hospital (Saxony) operates as a division of the academic health center.

Statewide Facilities – Consist of acute care hospitals and health care systems located in Bedford, Bloomington, Goshen, Hartford City, Knox, Lafayette, La Porte, Monticello, Muncie, and Paoli, Indiana. Principal hospital subsidiaries include Indiana

University Health Bedford, Inc. (Bedford), Indiana University Health Arnett, Inc. (Arnett), Indiana University Health La Porte Hospital and subsidiaries (La Porte) including Indiana University Health Starke Hospital, LLC (Starke), Goshen Health System, Inc. and subsidiaries (Goshen), Indiana University Health Ball Memorial Hospital, Inc. and subsidiaries (Ball Memorial) including Indiana University Health Blackford Hospital, Inc. (Blackford), Indiana University Health Bloomington, Inc. and subsidiaries (Bloomington) including Indiana University Health Paoli, Inc. (Paoli), and Indiana University Health White Memorial Hospital, Inc. (White). As of April 1, 2015, Indiana University Health Morgan, Inc. (Morgan) was converted to an outpatient center and operates as a division of the academic health center.

Physician Operations – Consist of physician offices and physician-group practices and clinics. Principal subsidiaries or divisions include Indiana University Health Physicians (IUHP), a nonprofit organization with locations primarily in Indianapolis, Indiana, Indiana University Health Arnett Physicians, Indiana University Health Ball Memorial Physicians, Inc., Indiana University Health Southern Indiana Physicians, Inc., Indiana University Health La Porte Physicians, Inc., Indiana University Health Goshen Physicians, and Indiana University Health Transplant Institute, Inc.

Ambulatory Care – Consists of personal and home health care services, occupational health services, outpatient oncology services, outpatient surgery centers, and urgent care centers which are located throughout the state of Indiana. Principal divisions or subsidiaries include Indiana University Health Home Care, Indiana University Occupational Health Centers, Workplace Health Services, LLC, Indiana University Health Central Indiana Cancer Centers, eight surgery center joint ventures and one urgent care center joint venture.

Medical Risk – Consists of the medical management of health care services of members whose health care coverage is provided by the managed care networks of the Indiana University Health System. Includes health maintenance organizations and other insurance-related organizations that provide health plan services to insured and self-insured members predominantly residing in Indiana. Insurance offerings include commercial group products (self-funded and insured), products on the Health Insurance Marketplace, Medicare Advantage products and Medicaid management services.

Foundations – Indiana University Health is the sole corporate member of Methodist Health Foundation, Inc. (Methodist Health Foundation), which aids and supports Methodist Hospital and other programs and areas of Indiana University Health. Tipton is the sole corporate member of Tipton County Health Care Foundation, Inc. (Tipton Foundation), which aids in carrying out the mission of Tipton. Ball Memorial is the sole corporate member of Indiana University Ball Memorial Hospital Foundation, Inc. (BMH Foundation), which aids in carrying out the mission of Ball Memorial and Blackford. Morgan is the sole corporate member of Indiana University Health Morgan Foundation (Morgan Foundation), which aids and supports Morgan. Arnett is the sole corporate member of Indiana University Health Arnett Hospital Foundation, Inc. (Arnett Foundation), which aids and supports Arnett. RHI is the sole corporate member of RHI Foundation, Inc. (RHI Foundation), which aids and supports RHI. Goshen is the sole corporate member of IU Health Goshen Foundation, Inc. (Goshen

Foundation), which aids and supports Goshen. The Corporate members of Indiana University Health Paoli Hospital Foundation, Inc. (Paoli Foundation), which aids and supports Paoli, are Paoli, Bloomington and the Board of Commissioners of Orange County, Indiana.

Revenue. Total operating revenue of \$6,100,815 for the year ended December 31, 2015 increased 6.5% (or \$374,232) as compared to the prior year (\$5,726,583).

Net patient service revenue, when excluding state disproportionate share revenue (DSH), upper payment limit reimbursement (UPL), and increased reimbursement related to the Medicaid Assessment Fee program, increased by \$445,488 or 9.5% for the year ended December 31, 2015 over the prior year, which reflects increased outpatient surgeries and physician office visits, and improved conversion from self-pay to insurance, including the Healthy Indiana Plan (HIP) 2.0.

The table below shows admissions by division.

	<u>Year over Year</u>			
	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>Variance</u>	<u>Percentage</u>
<u>Admissions</u>				
Consolidated	129,612	131,057	(1,445)	(1.1)%
Downtown	50,090	51,828	(1,738)	(3.4)%
Statewide	58,670	58,672	(2)	0.0%
Suburban	20,852	20,557	295	1.4%

During 2012, the Indiana General Assembly approved a hospital assessment fee program (Medicaid Assessment Fee). Under this program, the Office of Medicaid Policy and Planning (OMPP) collects a fee from eligible hospitals. The fee is used in part to increase reimbursement to eligible hospitals for services provided in both fee-for-service and managed care programs, and as the state share of DSH payments. The program was effective retroactively from July 1, 2011 and continued through June 30, 2013. Subsequently, the Indiana General Assembly approved the extension of the Medicaid Assessment Fee program for another four years. On March 21, 2014, the Centers for Medicare and Medicaid Services (CMS) approved the extension of the program for another four years. This approval reinstated the program retroactively to July 1, 2013. The Indiana University Health System recorded the increased revenue and assessment fee expense related to claims occurring after July 1, 2013 in the first quarter of 2014.

For the year ended December 31, 2015, increased reimbursement related to the Medicaid Assessment Fee program totaled \$221,422. For the year ended December 31, 2014, increased reimbursement related to the Medicaid Assessment Fee program totaled \$514,703, of which \$166,729 related to 2013. The decrease in reimbursement related to the Medicaid Assessment Fee Program relates to recording 12 months of reimbursement at December 31, 2015 compared to 18 months at December 31, 2014 as well as decreases in reimbursement rates. Specifically, effective August 2014, Medicaid Assessment Fee program rates decreased by 23% for inpatient services and 45% for outpatient services.

As of December 31, 2015, \$124,069 of DSH and UPL revenue was recognized compared to \$32,715 for the prior year. The variance between years is mainly due to recording DSH revenue related to state fiscal year 2014 in the third quarter of 2015 based upon notification from the OMPP. The amount of state DSH and UPL funds vary by year and the amount to be received in future periods cannot be guaranteed.

The provision for uncollectible patient accounts amounted to \$243,423 for the year ended December 31, 2015 and \$299,255 in the prior year. As a percentage of gross patient revenue, the provision for uncollectible patient accounts was 1.5% in 2015 and 2.1% in 2014. This decrease is due to a shift from self-pay to government payors, mainly HIP 2.0, during the year ended December 31, 2015, and identification of prior year accounts requiring reclassification from the provision for bad debts to charity care.

Member premium revenue aggregated \$394,303 for the year ended December 31, 2015 and \$259,771 for the prior year. The increase relates to additional premium revenue related to growth in health exchange-related insurance products introduced under the Affordable Care Act as well as more members in both Medicaid and Medicare programs.

Other operating revenue of \$204,534 for the year ended December 31, 2015 decreased \$3,861 (or 1.9%) compared to the year ended December 31, 2014.

Expenses. Total operating expenses of \$5,301,553 increased by 7.9% (or \$387,767) compared to the year ended December 31, 2014 (\$4,913,786).

Salaries, wages, and benefits increased 8.9% (or \$222,271) to \$2,723,915 compared to the prior year. The increase is mainly attributable to base pay increases effective in September 2014 and July 2015, as well as an increase in full-time equivalent employees (FTEs) driven in part by increased surgical volumes. For the year ended December 31, 2015, the average number of FTEs was 28,691 compared to 27,584 for the same period of 2014.

Supplies, drugs, purchased services, and other expenses of \$1,838,176 increased 5.9% (or \$102,838) compared to the prior year (\$1,735,338) driven by increased pharmacy costs as well as outpatient surgery and emergency department volumes.

Fees related to the Medicaid Assessment Fee program were \$109,558 for the year ended December 31, 2015, compared to \$197,994 in the prior year. Of the \$197,994 in 2014, \$72,905 related to 2013. The decrease relates to recording twelve months of expense at December 31, 2015 compared to 18 months for the year ended December 31, 2014.

Health claims to providers expenses of \$307,769 increased 80% (or \$136,799) over that for the prior year (\$170,970), which relates to the growth of health exchange-related insurance products under the Affordable Care Act as well as more members in both Medicaid and Medicare programs.

Depreciation and amortization expense of \$268,920 increased 7.0% (or \$17,710) over that for the prior year (\$251,210) due to the continuing investment in property and equipment, as well as accelerated depreciation of \$8,954 related to planned capital projects

in Bloomington and Indianapolis.

Interest expense of \$53,215 was 6.0% (or \$3,415) less than the prior year (\$56,630) due in part to refunding activity and a decline in outstanding indebtedness.

Other. For both years ended December 31, 2015 and 2014 Indiana University Health expensed \$17,500 related to educational and research support provided to the School of Medicine.

Investment losses amounted to \$67,220 for the year ended December 31, 2015, including \$19,619 of realized losses on investments, including fees, \$88,656 of unrealized losses on investments, partially offset by \$41,055 of interest and dividend income. For the year ended December 31, 2014, investment income aggregated \$38,755, which included \$45,371 of interest and dividend income, \$33,816 of realized gains on investments, net of fees, and \$40,432 of unrealized losses on investments. Gains (losses) on interest rate swaps aggregated \$18,977 for the year ended December 31, 2015, and (\$21,939) for the year ended December 31, 2014.

The decline in operating performance between periods was primarily driven by recognizing 12 months of net increased reimbursement related to the Medicaid Assessment Fee program in the year ended December 31, 2015, as compared to 18 months for the year ended December 31, 2014. As shown on the adjusted operating income table on page 9, operating margin decreased between periods after adjusting for non-controlling interests and net reimbursement related to the Medicaid Assessment Fee and DSH related to the prior year. In 2015, net patient revenue was favorably impacted by improved surgery volumes as well as a shift from self-pay to government payors due to Medicaid expansion (HIP 2.0). Consequently, the Indiana University Health System experienced increases in salaries, wages and benefits and other patient care related costs. As the healthcare landscape continues to change, management has taken many steps to ensure the Indiana University Health System can continue to provide a top level of care to patients into the future in anticipation of further reductions to reimbursement. Moreover, management has taken these actions as they plan for significant capital expenditures within the next few years.

Consolidated Balance Sheet (Compared to year ended December 31, 2014)

Consolidated Financial Position. Total cash and investments (which principally consist of cash and cash equivalents, board-designated funds and other investments, and donor-restricted funds) amounted to \$4,241,845 at December 31, 2015 (\$3,718,374 at December 31, 2014). The number of days cash and investments on hand, excluding donor-restricted funds, trustee-held funds and funds held by insurance captives, was 295 days at December 31, 2015 (277 days as of December 31, 2014). The number of days revenue in receivables was 56 days at December 31, 2015 (excluding the increased reimbursement under the Medicaid Assessment Fee program and related receivable), and 51 days at December 31, 2014. The number of days expenses in accounts payable, accrued expenses, and certain other current liabilities (excluding fees associated with the Medicaid Assessment Fee program and related liability) was 54 days at December 31, 2015, and 57 days at December 31, 2014.

Net current assets, or working capital, increased slightly to \$646,972 at December 31, 2015 (\$549,700 at December 31, 2014). Net property and equipment of \$2,623,725 decreased \$77,107 from December 31, 2014 reflecting depreciation expense for the period and accelerated depreciation of \$8,954 related to upcoming capital projects in Bloomington and Indianapolis. Other amounts for property and equipment are anticipated to be incurred and total approximately \$203,076 at December 31, 2015. However, these amounts may not be legally required or committed, and are subject to change by authorization of the Board of Directors. These amounts are expected to be financed through operations, contributions, and, where applicable, proceeds from the issuance of tax-exempt bonds.

The Indiana University Health Obligated Group has executed direct-pay letter-of-credit agreements in support of all of its publicly remarketed variable-rate bond series, which require the credit provider to purchase bonds in the event the bonds are not remarketed. In addition, it has executed direct purchase agreements, whereby the credit provider purchases bonds for a predetermined period of time, after which the agreement must be extended or the bonds must be remarketed or reissued. In each of these two instances, the bonds have a longer nominal maturity than the agreement, but the existence and terms of these agreements allow for the long-term classification of the associated variable-rate bond series. When these agreements have expiration dates within the succeeding twelve-month period, a greater portion of the associated debt is classified as current, because if not otherwise extended, these agreements would require the principal balance of the related bonds to be repaid over a shortened time frame. Accordingly, \$8,429 and \$31,852 were reclassified to current portion of long-term debt as of December 31, 2015 and 2014, respectively, to reflect the associated amount for 2016 and 2015, respectively.

On May 7, 2015, through the Indiana Finance Authority, Indiana University Health issued \$287,395 in par value of Series 2015A tax-exempt fixed-rate bonds at a premium of \$27,022. Proceeds were used to advance refund \$117,130 in par of the Series 2006A tax-exempt, fixed-rate bonds; to refund the Series 2011J and 2011K taxable, variable-rate bonds outstanding in the amount of \$151,550; to refund a variable-rate commercial bank loan in the amount of \$37,975; and to pay certain costs related to the issuance.

Additionally, on May 7, 2015, through the Indiana Finance Authority, Indiana University Health issued at par \$193,675 of Series 2015B and 2015C tax-exempt variable-rate bonds. Proceeds were used to advance refund \$184,550 in par of the Series 2006A tax-exempt fixed-rate bonds and to pay certain costs related to the issuance.

Also on May 7, 2015, Indiana University Health drew \$26,717 under its existing revolving line of credit to advance refund the final \$25,490 in par of the Series 2006A tax-exempt, fixed-rate bonds. Subsequently, on June 25, 2015, this line of credit agreement was amended to defer the expiration date until June 30, 2018. Accordingly, the balance drawn is included as long-term debt at December 31, 2015.

The refunding of the Series 2006A, 2011J, and 2011K bonds and the commercial bank loan were all accounted for as debt extinguishments, resulting in losses aggregating \$15,778 based upon the funds expended in excess of the carrying values net of unamortized discount and unamortized issuance costs associated with the refunded debt.

This loss is shown within debt extinguishment and other nonoperating (loss) income on the consolidated statements of operations and changes in net assets.

Unrestricted net assets, or equity, amounted to \$5,302,700 at December 31, 2015 (\$4,650,831 at December 31, 2014) and includes the net unrealized losses on swaps of \$112,675 and \$145,339 at December 31, 2015 and December 31, 2014, respectively.

Strategic Initiatives

As part of its commitment to being a leader in both the treatment of patients with complex illnesses as well as in the transition from payment models that reward volumes to those that reward value, the Indiana University Health System continuously evaluates its operations with goals to achieve superior clinical outcomes and to treat patients in the most beneficial and least resource-intensive settings possible as it works to effectively manage the health of populations.

As part of this continual evaluation, management engages in discussions at times with unaffiliated third parties regarding potential affiliations, acquisitions, dispositions, divestitures, joint ventures and other transactions. In addition, management considers the potential to change the services offered at a given facility or consolidate and/or eliminate redundant services. Such changes could be material, impacting the future composition of the system.

As an example of developing new models of care for hospitals in smaller communities, effective April 1, 2015, Morgan converted to an outpatient care facility and ceased admitting overnight patients. The facility offers a 24-hour emergency room in addition to a range of outpatient procedures and services.

In order to remain at the forefront of the shifting health care environment, the Indiana University Health Board of Directors adopted a five year strategic plan, which is currently in the implementation stage. Some key decisions embedded within the strategic plan include further expansion of Indiana University Health Plans; increasing capabilities to manage the health of populations; simplification and focused realignment of organizational and governance structures; various strategies centered on employment and alignment of physicians; expansion of the Riley brand for pediatric care; and improving primary care capabilities.

On December 24, 2015, a Contribution and Sale Agreement was executed by and among Indiana University Health, La Porte, Frankfort Health Partner, Inc. and Community Health Services, Inc. (CHS) and other affiliated entities. In anticipation of the agreement, Indiana University Health and La Porte formed a limited liability company with Indiana University Health holding a 20% interest and La Porte holding 80%. Upon closing of the agreement, La Porte and certain of its affiliated entities contributed assets to the limited liability company and certain of its affiliated entities. Also upon the closing, Frankfort Health Partner, Inc., a subsidiary of Community Health Systems, Inc., purchased La Porte's 80% interest in the limited liability company for \$96,496, plus the net working capital minus any long-term debt or capital leases. Pursuant to the limited liability company agreement 20% of the assets contributed to the limited liability company are deemed to have been contributed on behalf of

Indiana University Health, the value of which has been credited to Indiana University Health's capital account. The proceeds of the sale, net of the settlement of La Porte's liabilities existing on the date of sale and a portion to be retained by Indiana University Health under the agreement, was contributed to a foundation in support of the La Porte community. This transaction closed on March 1, 2016, and Indiana University Health expects to recognize a nonoperating loss of approximately \$180,000 related to the transaction in the first quarter of 2016.

In anticipation of the closing of this transaction, during 2015 Indiana University Health, acting as Obligated Group Agent, effectuated the removal of IU Health La Porte from the Obligated Group. For the year ended December 31, 2015, IU Health La Porte and subsidiaries, including IU Health Starke, together represented approximately 3.6% of the total operating revenues of the Indiana University Health System.

In concert with its primary care strategy, Indiana University Health expects to open up to twelve urgent care clinics across central Indiana to offer fast, convenient treatment outside of traditional business hours. Indiana University Health opened three of these clinics in conjunction with this strategy in 2015 in Greenwood, Lawrence, and Brownsburg, IN. The new clinics will be owned by a joint venture with Premier Health, based in Baton Rouge, LA, who will also serve as the manager of the clinics.

In support of the newly designed model of care of Indiana University Health, in April 2015, the Indiana University Health Board of Directors approved a plan to consolidate downtown Indianapolis adult services to one medical campus centered on Capitol Avenue and 16th Street (current site of Methodist Hospital), with women's services consolidated at or near the existing Riley Hospital campus. As Indiana University Health is committed to improving the health of our patients and communities, the plan also includes the development of an array of ambulatory care services for residents of the neighborhoods around the downtown Indianapolis campus. The adult service medical campus is expected to include a medical education building and faculty offices on site to enhance ongoing collaboration with the IUSOM and support the tripartite mission of clinical care, research and education. The Board of Directors has not yet approved the capital expenditures related to the plan. In response to this plan, the useful lives of assets currently in place were evaluated, resulting in accelerated depreciation of \$3,600 reflected in the December 31, 2015 consolidated financial statements.

The Indiana University Health Board of Directors recently approved a plan to create a regional academic health campus in Bloomington, Indiana, which will increase Bloomington's ability to improve patient care, by providing more opportunities for collaboration among clinical, research and medical staff and faculty. This plan will allow the Indiana University School of Medicine to expand its medical education programs and research opportunities on the Indiana University Bloomington campus. As part of this plan, Bloomington will build a replacement hospital, which will further its mission of providing cutting-edge health services to the region. The Board of Directors has not yet approved the capital expenditures related to the plan. In response to this plan, the useful lives of assets currently in place were evaluated, resulting in accelerated depreciation of \$5,354 reflected in the December 31, 2015 consolidated financial statements.

Adjusted Operating Income

The following table adjusts operating income for significant one time transactions or significant items that relate to prior years. Management uses these measures internally for planning, forecasting, and evaluating the performance of the Indiana University Health System. The table also removes operating income attributable to noncontrolling interests, which primarily relates to ambulatory surgery centers in which third parties hold significant noncontrolling interests. Internally, management reviews operating results after allocation to noncontrolling interests, in part, because a significant portion of the operating results of these entities is distributed to the noncontrolling interest holders each period. Non-GAAP measures should be considered in addition to, not as a substitute for, or as superior to, measures of financial performance prepared in accordance with GAAP. For additional information on the programs that resulted in these adjustments and on noncontrolling interests refer to the consolidated financial statements and the notes thereto of Indiana University Health and subsidiaries as of and for the years ended December 31, 2015 and 2014.

	Year Ended December 31 (in thousands)	
	2015	2014
Operating income as reported	\$ 781,762	\$ 795,297
Noncontrolling interests in subsidiaries	(105,061)	(90,175)
Medicaid assessment fee program, net	-	(93,823)
DSH	(62,105)	-
UPL	-	2,951
Medicare cost report appeal settlements	-	(6,428)
Operating income adjusted	<u>\$ 614,596</u>	<u>\$ 607,822</u>
Operating margin adjusted	10.5 %	11.5 %

- During 2015, net increased reimbursement under the Medicaid Assessment Fee program was received for 2014 claims. During 2014, net increased reimbursement under the Medicaid Assessment Fee program was received for 2013 claims retroactively.
- During 2015, DSH was recorded related to the state fiscal year 2014.
- During 2014, an adjustment was made to UPL expected to be received for state fiscal year 2013.
- During 2014, Medicare cost report appeal settlements for 2000-2003 were recognized.

CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2015 and 2014

Indiana University Health, Inc. and subsidiaries
Consolidated Balance Sheets
(Thousands of Dollars)

	December 31 2015	December 31 2014
	(Audited)	(Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 516,702	\$ 527,682
Patient accounts receivable, less allowance for uncollectible accounts of \$214,119 and \$197,120 in 2015 and 2014, respectively	809,785	684,108
Other receivables	159,628	150,264
Prepaid expenses	39,199	48,577
Inventories	83,724	75,355
Total current assets	<u>1,609,038</u>	<u>1,485,986</u>
Assets limited as to use:		
Board-designated investment funds and other investments	3,655,641	3,113,805
Donor-restricted investment funds	69,502	76,887
Total assets limited as to use	<u>3,725,143</u>	<u>3,190,692</u>
Property and equipment:		
Cost of property and equipment in service	5,970,516	5,845,564
Less accumulated depreciation	(3,398,994)	(3,177,729)
	<u>2,571,522</u>	<u>2,667,835</u>
Construction-in-progress	52,203	32,997
Total property and equipment, net	<u>2,623,725</u>	<u>2,700,832</u>
Other assets:		
Equity interest in unconsolidated subsidiaries	71,128	49,202
Interest in net assets of foundations	14,035	13,976
Goodwill, intangibles, and other assets	239,844	219,981
Total other assets	<u>325,007</u>	<u>283,159</u>
Total assets	<u><u>\$ 8,282,913</u></u>	<u><u>\$ 7,660,669</u></u>

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Indiana University Health, Inc. and subsidiaries
Consolidated Balance Sheets (continued)
(Thousands of Dollars)

	December 31	December 31
	2015	2014
	(Audited)	(Audited)
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 489,567	\$ 400,269
Accrued salaries, wages, and related liabilities	248,857	293,112
Accrued health claims	61,126	56,469
Estimated third-party payor allowances	106,859	107,679
Current portion of long-term debt	55,657	78,757
Total current liabilities	<u>962,066</u>	936,286
Noncurrent liabilities:		
Long-term debt, less current portion	1,610,097	1,612,696
Interest rate swaps	112,675	145,339
Accrued pension obligations	99,448	96,211
Accrued medical malpractice claims	60,893	63,663
Other	44,574	57,496
Total noncurrent liabilities	<u>1,927,687</u>	1,975,405
Total liabilities	<u>2,889,753</u>	2,911,691
Net assets:		
Indiana University Health	5,090,916	4,464,244
Noncontrolling interest in subsidiaries	211,784	186,587
Total unrestricted	<u>5,302,700</u>	4,650,831
Temporarily restricted	23,093	30,905
Permanently restricted	67,367	67,242
Total net assets	<u>5,393,160</u>	4,748,978
Total liabilities and net assets	<u><u>\$ 8,282,913</u></u>	<u><u>\$ 7,660,669</u></u>

Indiana University Health, Inc. and subsidiaries
Consolidated Statements of Operations and Changes in Net Assets
(Thousands of Dollars)

	Year Ended December 31		Three Months Ended December 31	
	2015	2014	2015	2014
	(Audited)		(Unaudited)	
Revenues:				
Patient service revenue (net of contractals and discounts)	\$ 5,745,401	\$ 5,557,672	\$ 1,518,328	\$ 1,385,455
Provision for uncollectible accounts	(243,423)	(299,255)	(57,481)	(21,547)
Net patient service revenue	5,501,978	5,258,417	1,460,847	1,361,908
Member premium revenue	394,303	259,771	94,771	79,592
Other revenue	204,534	208,395	30,531	52,116
Total operating revenues	<u>6,100,815</u>	<u>5,726,583</u>	<u>1,586,149</u>	<u>1,493,616</u>
Expenses:				
Salaries, wages, and benefits	2,723,915	2,501,644	723,021	641,506
Supplies, drugs, purchased services, and other	1,838,176	1,735,338	489,263	479,067
Hospital assessment fee	109,558	197,994	27,188	20,230
Health claims to providers	307,769	170,970	70,776	57,502
Depreciation and amortization	268,920	251,210	75,145	65,573
Interest	53,215	56,630	12,424	14,099
Total operating expenses	<u>5,301,553</u>	<u>4,913,786</u>	<u>1,397,817</u>	<u>1,277,977</u>
Operating income before educational and research support	799,262	812,797	188,332	215,639
Educational and research support to Indiana University	(17,500)	(17,500)	(4,375)	(4,375)
Total operating income	<u>781,762</u>	<u>795,297</u>	<u>183,957</u>	<u>211,264</u>
Nonoperating (loss) income:				
Investment (loss) income, net	(67,220)	38,755	10,096	(13,583)
Gains (losses) on interest rate swaps, net	18,977	(21,939)	3,509	(17,843)
Inherent contribution of acquired entities	-	2,665	-	(139)
Debt extinguishment and other	(15,782)	926	(2)	(6,342)
Total nonoperating (loss) income	<u>(64,025)</u>	<u>20,407</u>	<u>13,603</u>	<u>(37,907)</u>
Consolidated excess of revenues over expenses	717,737	815,704	197,560	173,357
Less amounts attributable to noncontrolling interest in subsidiaries	<u>105,061</u>	<u>90,175</u>	<u>29,618</u>	<u>29,827</u>
Excess of revenues over expenses attributable to Indiana University Health and subsidiaries	<u>612,676</u>	<u>725,529</u>	<u>167,942</u>	<u>143,530</u>

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Indiana University Health, Inc. and subsidiaries
Consolidated Statements of Operations and Changes in Net Assets (continued)
(Thousands of Dollars)

	Year Ended December 31 2015			Year Ended December 31 2014		
	(Audited)			(Audited)		
	Total	Controlling	Noncontrolling	Total	Controlling	Noncontrolling
Unrestricted net assets:						
Excess of revenues over expenses	\$ 717,737	\$ 612,676	\$ 105,061	\$ 815,704	\$ 725,529	\$ 90,175
Change in pension obligations	(3,769)	(3,769)	-	(72,149)	(72,149)	-
Contributions for capital expenditures	8,282	8,282	-	5,652	5,652	-
Distributions to noncontrolling interests	(96,437)	-	(96,437)	(92,026)	-	92,026
Issuance of noncontrolling interests related to acquisition	6,068	-	6,068	-	-	-
Contributions from noncontrolling interests	6,721	-	6,721	-	-	-
Purchase of controlling interests	3,108	3,108	-	-	-	-
Purchase of noncontrolling interests	2,970	-	2,970	-	-	-
Sale of member interest to noncontrolling member	-	-	-	5,194	(834)	6,028
Restriction reclassification	4,610	4,610	-	2,698	2,698	-
Other	2,579	1,765	814	2,447	717	1,730
	<u>651,869</u>	<u>626,672</u>	<u>25,197</u>	<u>667,520</u>	<u>661,613</u>	<u>5,907</u>
Temporarily restricted net assets:						
Change in beneficial interest in net assets of foundations	(74)	(74)	-	352	352	-
Contributions	5,108	5,108	-	6,416	6,416	-
Investment return	(2,509)	(2,509)	-	(1,049)	(1,049)	-
Net assets released from restrictions	(5,727)	(5,727)	-	(9,670)	(9,670)	-
Restriction reclassification	(4,610)	(4,610)	-	(2,698)	(2,698)	-
Other	-	-	-	(4,000)	(4,000)	-
	<u>(7,812)</u>	<u>(7,812)</u>	<u>-</u>	<u>(10,649)</u>	<u>(10,649)</u>	<u>-</u>
Permanently restricted net assets:						
Change in beneficial interest in net assets of foundations	(122)	(122)	-	428	428	-
Contributions and other	247	247	-	254	254	-
	<u>125</u>	<u>125</u>	<u>-</u>	<u>682</u>	<u>682</u>	<u>-</u>
Increase in net assets	644,182	618,985	25,197	657,553	651,646	5,907
Net assets at beginning of period	4,748,978	4,562,391	186,587	4,091,425	3,910,745	180,680
Net assets at end of period	<u>\$ 5,393,160</u>	<u>\$ 5,181,376</u>	<u>\$ 211,784</u>	<u>\$ 4,748,978</u>	<u>\$ 4,562,391</u>	<u>\$ 186,587</u>
	Three Months Ended December 31 2015			Three Months Ended December 31 2014		
	(Unaudited)			(Unaudited)		
	Total	Controlling	Noncontrolling	Total	Controlling	Noncontrolling
Unrestricted net assets:						
Excess of revenues over expenses	\$ 197,560	\$ 167,942	\$ 29,618	173,357	143,530	29,827
Change in pension obligations	(3,769)	(3,769)	-	(72,149)	(72,149)	-
Contributions for capital expenditures	5,727	5,727	-	1,715	1,715	-
Distributions to noncontrolling interests	(33,575)	-	(33,575)	(21,623)	-	(21,623)
Contributions from noncontrolling interests	6,721	-	6,721	-	-	-
Sale of member interest to noncontrolling member	-	-	-	2,480	-	2,480
Restriction reclassification	400	400	-	2,698	2,698	-
Other	3,572	1,724	1,848	1,112	836	276
	<u>176,636</u>	<u>172,024</u>	<u>4,612</u>	<u>87,590</u>	<u>76,630</u>	<u>10,960</u>
Temporarily restricted net assets:						
Change in beneficial interest in net assets of foundations	16	16	-	-	-	-
Contributions	1,593	1,593	-	1,984	1,984	-
Investment return	(1,401)	(1,401)	-	(863)	(863)	-
Net assets released from restrictions	(1,331)	(1,331)	-	1,750	1,750	-
Restriction reclassification	(400)	(400)	-	(2,698)	(2,698)	-
Other	-	-	-	(1,300)	(1,300)	-
	<u>(1,523)</u>	<u>(1,523)</u>	<u>-</u>	<u>(1,127)</u>	<u>(1,127)</u>	<u>-</u>
Permanently restricted net assets:						
Change in beneficial interest in net assets of foundations	(22)	(22)	-	10	10	-
Contributions and other	40	40	-	57	57	-
	<u>18</u>	<u>18</u>	<u>-</u>	<u>67</u>	<u>67</u>	<u>-</u>
Increase (decrease) in net assets	175,131	170,519	4,612	86,530	75,570	10,960
Net assets at beginning of period	5,218,029	5,010,857	207,172	4,662,448	4,486,821	175,627
Net assets at end of period	<u>\$ 5,393,160</u>	<u>\$ 5,181,376</u>	<u>\$ 211,784</u>	<u>\$ 4,748,978</u>	<u>\$ 4,562,391</u>	<u>\$ 186,587</u>

Indiana University Health, Inc. and subsidiaries
Consolidated Statements of Cash Flows
(Thousands of Dollars)

	Year Ended December 31		Three Months Ended December 31	
	2015	2014	2015	2014
	(Audited)		(Unaudited)	
Operating activities				
Increase in net assets	\$ 644,182	657,553	\$ 175,131	86,530
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Change in fair value of interest rate swaps	(32,664)	6,267	(6,601)	14,016
Change in pension liability	3,769	72,149		72,149
Income in unconsolidated subsidiaries	(14,620)	(1,066)	(8,851)	(668)
Provision for uncollectible accounts	243,423	299,255	57,481	21,547
Issuance of noncontrolling interests related to acquisition	(6,068)	-	-	-
Contributions from noncontrolling interests	(6,721)	-	(6,721)	-
Inherent contribution of acquired entities	-	(2,665)	-	139
Gain on consolidation of acquired entities	-	-	270	-
Impairment of unconsolidated subsidiaries	-	2,073		2,073
Depreciation and amortization	268,920	251,210	75,145	65,573
Amortization of deferred gain on sale of medical office buildings	(1,617)	(2,122)	(369)	(528)
Loss on extinguishment of debt	15,778	2,313	-	8,370
Restricted contributions and investment return	(2,650)	(6,401)	(226)	(1,188)
Purchase of controlling interests	(3,108)	-	-	-
Purchase of noncontrolling interests	(2,970)	-	-	-
Proceeds from the sale of member interest to noncontrolling member	-	(5,194)	-	(2,480)
Distributions to noncontrolling interests	96,437	92,026	33,575	21,623
Trading securities	(534,451)	(561,448)	(86,225)	(180,968)
Net changes in operating assets and liabilities:				
Patient accounts receivable	(368,767)	(323,961)	(100,119)	(23,057)
Other assets	(14,464)	(13,746)	115,496	(23,781)
Accounts payable, accrued liabilities, and other liabilities	76,475	(57,909)	(29,231)	42,327
Accrued salaries, wages, and related liabilities	(44,270)	23,471	(9,419)	62,601
Estimated third-party payor allowances	(820)	17,212	23,744	(6,312)
Net cash provided by operating activities	<u>315,794</u>	<u>449,017</u>	<u>236,849</u>	<u>157,966</u>
Investing activities				
Purchase of property and equipment, net of disposals	(184,805)	(180,034)	(68,172)	(89,779)
Acquisition of subsidiary, net of cash received	(15,932)	-	-	-
Net cash used in investing activities	<u>(200,737)</u>	<u>(180,034)</u>	<u>(68,172)</u>	<u>(89,779)</u>
Financing activities				
Increase in restricted net assets	2,650	6,401	226	1,188
Repayments on long-term debt	(552,787)	(173,507)	(7,729)	(91,474)
Proceeds from issuance of long-term debt	507,738	69,965	-	69,945
Contributions from noncontrolling interests	6,721	-	6,721	-
Purchase of controlling interests	3,108	-	-	-
Purchase of noncontrolling interests	2,970	-	-	-
Proceeds from the sale of members interest to noncontrolling member	-	5,194	-	2,480
Distributions to noncontrolling interests	(96,437)	(92,026)	(33,575)	(21,623)
Net cash used in financing activities	<u>(126,037)</u>	<u>(183,973)</u>	<u>(34,357)</u>	<u>(39,484)</u>
(Decrease) increase in cash and cash equivalents	(10,980)	85,010	134,320	28,703
Cash and cash equivalents at beginning of period	527,682	442,672	382,382	498,979
Cash and cash equivalents at end of period	<u>\$ 516,702</u>	<u>\$ 527,682</u>	<u>\$ 516,702</u>	<u>\$ 527,682</u>

OTHER INFORMATION

For the years ended December 31, 2015 and 2014

Indiana University Health, Inc. and subsidiaries
Special Purpose Combined Balance Sheets - Obligated Group and Affiliates
(Thousands of Dollars)

	December 31 2015	December 31 2014
Assets	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 388,962	\$ 474,086
Patient accounts receivable, less allowance for uncollectible accounts	436,019	371,316
Other receivables	90,612	87,763
Prepaid expenses	38,781	35,984
Inventories	53,036	46,321
Total current assets	1,007,410	1,015,470
Assets limited as to use:		
Board-designated investment funds and other investments	3,157,859	2,600,625
Property and equipment:		
Cost of property and equipment in service	3,839,965	3,756,322
Less accumulated depreciation	(2,167,361)	(2,024,298)
	1,672,604	1,732,024
Construction-in-progress	21,113	12,792
Total property and equipment, net	1,693,717	1,744,816
Other assets:		
Equity interest in unconsolidated subsidiaries	260,754	217,612
Interest in net assets of foundations	8,699	8,753
Notes receivable and other (principally from related organizations)	687,650	705,328
Total other assets	957,103	931,693
Total assets	\$ 6,816,089	\$ 6,292,604

Continued on next page.

Indiana University Health, Inc. and subsidiaries
Special Purpose Combined Balance Sheets - Obligated Group and Affiliates (continued)
(Thousands of Dollars)

	December 31 2015	December 31 2014
Liabilities and net assets	(Unaudited)	
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,328,014	\$ 1,046,107
Accrued salaries, wages, and related liabilities	118,090	132,534
Accrued health claims	50,999	53,578
Estimated third-party payor allowances	51,977	36,736
Current portion of long-term debt	53,719	76,691
Total current liabilities	1,602,799	1,345,646
Noncurrent liabilities:		
Long-term debt, less current portion	1,591,237	1,594,470
Interest rate swaps	111,950	144,415
Accrued pension obligations	16,036	13,695
Accrued medical malpractice claims	3,236	3,527
Other	33,505	34,917
Total noncurrent liabilities	1,755,964	1,791,024
Total liabilities	3,358,763	3,136,670
Net assets:		
Unrestricted	3,442,972	3,141,241
Temporarily restricted	2,697	2,795
Permanently restricted	11,657	11,898
Total net assets	3,457,326	3,155,934
Total liabilities and net assets	\$ 6,816,089	\$ 6,292,604

Indiana University Health, Inc. and subsidiaries
Special Purpose Combined Statements of Operations - Obligated Group and Affiliates
(Thousands of Dollars)

	Year Ended December 31		Three Months Ended December 31	
	2015	2014	2015	2014
Revenues:	(Unaudited)		(Unaudited)	
Patient service revenue (net of contractals and discounts)	\$ 2,837,969	\$ 2,749,695	\$ 733,057	\$ 663,670
Provision for uncollectible accounts	(53,205)	(104,725)	(7,109)	12,326
Net patient service revenue	2,784,764	2,644,970	725,948	675,996
Member premium revenue	257,654	227,151	77,558	57,866
Other revenue	371,919	287,806	104,563	81,918
Total operating revenues	3,414,337	3,159,927	908,069	815,780
Expenses:				
Salaries, wages, and benefits	1,173,224	1,058,960	313,345	259,692
Supplies, drugs, purchased services, and other	1,228,521	1,114,138	339,542	307,247
Hospital assessment fee	56,121	91,893	13,645	13,239
Health claims to providers	234,779	183,203	75,005	48,719
Depreciation and amortization	161,931	148,446	43,558	38,136
Interest	50,966	51,642	12,341	13,542
Total operating expenses	2,905,542	2,648,282	797,436	680,575
Operating income before educational and research support	508,795	511,645	110,633	135,205
Educational and research support to Indiana University	(17,500)	(17,500)	(4,375)	(4,375)
Total operating income	491,295	494,145	106,258	130,830
Nonoperating (loss) income:				
Investment (loss) income, net	(25,895)	55,489	24,482	(9,157)
Gains (losses) on interest rate swaps, net	18,779	(21,942)	3,366	(17,895)
Debt extinguishment and other	(15,778)	10,094	-	4,037
Total nonoperating (loss) income	(22,894)	43,641	27,848	(23,015)
Excess of revenues over expenses	\$ 468,401	\$ 537,786	\$ 134,106	\$ 107,815

Indiana University Health, Inc. and subsidiaries
Special Purpose Combined Balance Sheets - Obligated Group
(Thousands of Dollars)

	December 31 2015	December 31 2014
Assets	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 374,418	\$ 461,045
Patient accounts receivable, less allowance for uncollectible accounts	401,497	336,861
Other receivables	120,283	116,024
Prepaid expenses	34,363	32,338
Inventories	47,160	40,739
Total current assets	977,721	987,007
Assets limited as to use:		
Board-designated investment funds and other investments	2,978,741	2,432,270
Property and equipment:		
Cost of property and equipment in service	3,591,154	3,517,107
Less accumulated depreciation	(2,022,824)	(1,889,781)
	1,568,330	1,627,326
Construction-in-progress	12,060	7,506
Total property and equipment, net	1,580,390	1,634,832
Other assets:		
Equity interest in unconsolidated subsidiaries	260,299	216,933
Notes receivable and other (principally from related organizations)	693,424	711,383
Total other assets	953,723	928,316
Total assets	\$ 6,490,575	\$ 5,982,425

Continued on next page.

Indiana University Health, Inc. and subsidiaries
Special Purpose Combined Balance Sheets - Obligated Group (continued)
(Thousands of Dollars)

	December 31 2015	December 31 2014
Liabilities and net assets	(Unaudited)	
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,329,051	\$ 1,035,362
Accrued salaries, wages, and related liabilities	103,966	117,535
Accrued health claims	51,000	53,578
Estimated third-party payor allowances	47,196	33,714
Current portion of long-term debt	52,348	76,386
Total current liabilities	1,583,561	1,316,575
Noncurrent liabilities:		
Long-term debt, less current portion	1,589,318	1,591,128
Interest rate swaps	111,698	144,120
Accrued pension obligations	16,036	13,695
Accrued medical malpractice claims	2,965	3,207
Other	32,913	34,162
Total noncurrent liabilities	1,752,930	1,786,312
Total liabilities	3,336,491	3,102,887
Net assets:		
Unrestricted	3,149,196	2,874,651
Permanently restricted	4,888	4,887
Total net assets	3,154,084	2,879,538
Total liabilities and net assets	\$ 6,490,575	\$ 5,982,425

Indiana University Health, Inc. and subsidiaries
Special Purpose Combined Statements of Operations - Obligated Group
(Thousands of Dollars)

	Year Ended December 31		Three Months Ended December 31	
	2015	2014	2015	2014
Revenues:	(Unaudited)		(Unaudited)	
Patient service revenue (net of contractals and discounts)	\$ 2,534,923	\$ 2,447,399	\$ 654,898	\$ 587,466
Provision for uncollectible accounts	(27,521)	(74,892)	(1,817)	20,609
Net patient service revenue	2,507,402	2,372,507	653,081	608,075
Member premium revenue	257,654	227,150	77,558	57,865
Other revenue	358,971	274,106	101,347	78,185
Total operating revenues	<u>3,124,027</u>	<u>2,873,763</u>	<u>831,986</u>	<u>744,125</u>
Expenses:				
Salaries, wages, and benefits	1,041,634	934,249	278,404	228,239
Supplies, drugs, purchased services, and other	1,117,611	1,002,069	309,326	276,517
Hospital assessment fee	51,532	82,131	12,525	12,839
Health claims to providers	235,216	183,504	75,088	48,785
Depreciation and amortization	149,065	136,495	40,369	35,085
Interest	50,897	51,460	12,320	13,516
Total operating expenses	<u>2,645,955</u>	<u>2,389,908</u>	<u>728,032</u>	<u>614,981</u>
Operating income before educational and research support	478,072	483,855	103,954	129,144
Educational and research support to Indiana University	(17,500)	(17,500)	(4,375)	(4,375)
Total operating income	<u>460,572</u>	<u>466,355</u>	<u>99,579</u>	<u>124,769</u>
Nonoperating (loss) income:				
Investment (loss) income, net	(23,079)	49,484	19,103	(9,986)
Gains (losses) on interest rate swaps, net	18,808	(21,974)	3,365	(17,875)
Debt extinguishment and other	(15,778)	10,094	-	4,037
Total nonoperating (loss) income	<u>(20,049)</u>	<u>37,604</u>	<u>22,468</u>	<u>(23,824)</u>
Excess of revenues over expenses	<u>\$ 440,523</u>	<u>\$ 503,959</u>	<u>\$ 122,047</u>	<u>\$ 100,945</u>

Indiana University Health, Inc. and subsidiaries
Statistical and Other Data
As of and for the Three Months and Years Ended December 31, 2015 and 2014
(Except as noted below)

Description	For the Year Ended December 31,	
	2015	2014
Academic Health Center		
Active Members	1,274	1,260
Residents	573	568
Other Members	812	775
Total Medical Staff	2,659	2,603
Consolidated Number of Available Beds	2,843	2,934
Employees		
Consolidated FTE employees	28,691	27,584
Methodist/IU/Riley/Saxony FTE employees	8,187	8,270
Obligated Group & Affiliates coverage of Debt Service (dollars in thousands, annualized)		
Revenues over expenses (1)	541,650	577,792
Depreciation, amortization and interest	212,902	200,088
Available to pay debt service	754,552	777,880
Actual debt service	112,710	132,309
Historical debt service coverage ratio	6.69	5.88
Forecast maximum annual debt service	120,296	130,044
Available to pay debt service	754,552	777,880
Forecast maximum annual debt service coverage ratio	6.27	5.98

Description	For the Three Months Ended December 31,		For the Year Ended Ended December 31,	
	2015	2014	2015	2014
Consolidated Utilization and Operating Statistics				
Patient Days	165,642	167,586	668,160	670,104
Admissions	31,761	33,206	129,612	131,057
Occupancy Rate (based on available beds)	63.33%	62.09%	60.30%	60.21%
Average Length of Stay	5.22	5.05	5.16	5.11
Surgery Cases IP	8,232	8,330	32,611	32,709
Surgery Cases OP	24,930	21,950	83,769	80,789
Surgery Cases Total	33,162	30,288	116,380	113,499
Emergency Room Visits	138,912	127,842	509,592	498,522
Radiological Examinations	340,699	319,660	1,316,201	1,222,784
Gross Patient Service Revenue				
Medicare	37.74%	39.57%	39.38%	39.93%
Medicaid	33.60%	34.17%	33.02%	32.20%
HIP	7.08%	1.03%	5.90%	1.04%
Commercial Insurance	1.92%	2.56%	2.28%	3.16%
HMO / PPO				
Wellpoint / Anthem	14.53%	17.35%	15.05%	17.52%
Other	0.93%	1.31%	1.35%	1.24%
Self Pay and Other	4.20%	4.01%	3.02%	4.91%
Total Gross Patient Service Revenue:	100.00%	100.00%	100.00%	100.00%
Medicare Case Mix Index, Academic Health Center (2)	2.255	2.049	2.158	2.091

Bed Complement: Available	December 31, 2015		December 31, 2014	
	Academic Health Center	Other System Hospitals	Academic Health Center	Other System Hospitals
Medical Surgical	636	899	759	997
ICU / CCU	264	161	193	144
OB / Labor Delivery	54	184	26	183
Pediatrics	180	94	169	88
Psychiatric	28	42	23	52
High-Risk Nursery	98	69	93	71
Rehab and other	10	124	-	136
Total Bed Complement	1,270	1,573	1,263	1,671

(1) Adjusted for certain gains (losses) as defined in the IU Health Obligated Group Master Trust Indenture.
(2) Medicare system of classification for DRGs is annually revised effective October 1 of each year.