CERTIFICATE OF HENRY FORD HEALTH SYSTEM

Name of Bond Issue:	Michigan Finance Authority Hospital Revenue Refunding Bonds (Henry Ford Health System), Series 2016
CUSIP Number:	59447TLS0, 59447TLT8, 59447TLU5, 59447TLV3, 59447TLW1, 59447TLX9, 59447TLY7, 59447TLZ4, 59447TMA8, 59447TMB6, 59447TMC4, 59447TMD2, 59447TME0, 59447TMF7, 59447TMG5, 59447TMH3, 59447TMJ9, 59447TMK6, 59447TML4, 59447TMM2, 59447TMR1, 59447TMP5, 59447TMN0 and 59447TMQ3.

The undersigned hereby certifies that:

1. I am the Executive Vice President and Chief Financial Officer of Henry Ford Health System (the "Corporation") and as such, am the Disclosure Representative under that certain Continuing Disclosure Agreement, dated September 28, 2016 ("Disclosure Agreement"), executed and delivered by the Corporation and Digital Assurance Certification, L.L.C., as Dissemination Agent.

2. The quarterly unaudited Credit Group Financial Statements for the period ending June 30, 2017 attached and delivered to the Dissemination Agent, is the Quarterly Report required to be submitted to the MSRB. Also attached is the Management Discussion and Analysis for the quarter ended June 30, 2017.

Capitalized terms used herein and not otherwise defined shall have the meanings defined in the Disclosure Agreement.

Dated: August 14, 2017

HENRY FORD HEATH SYSTEM,
as Disclosure Representative

By: ______________________
Edward G. Chadwick
Executive Vice President
& Chief Financial Officer

UNAUDITED

Consolidated Financial Statements

for the Six Months Ended June 30, 2017 and 2016

UNAUDITED
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2017 AND DECEMBER 31, 2016
(In thousands)

ASSETS	2017	2016
CURRENT ASSETS:		
Cash and cash equivalents	$ 874,373	$ 828,444
Short-term investments—available for sale, at fair value	5,635	272
Patient care receivables—net of allowances of $117,233 and $124,399, in 2017 and 2016, respectively	296,705	279,232
Health care premium receivables	31,911	45,313
Due from third-party payors	26,573	18,657
Other current assets	230,527	212,881
Current portion of assets limited as to use	41,833	47,822
Total current assets	1,507,557	1,432,621
LONG-TERM INVESTMENTS	335,300	325,123
ASSETS LIMITED TO USE	1,015,976	988,664
JOINT VENTURE INVESTMENTS	23,333	23,487
DEFERRED TAX ASSET	1,947	1,947
INTANGIBLE AND OTHER ASSETS—Net	42,340	45,436
GOODWILL—Net of accumulated amortization of $28,606 in 2017 and 2016	14,199	14,199
PROPERTY, PLANT, AND EQUIPMENT—Net	1,450,783	1,426,699
TOTAL	$4,391,435	$4,258,176

LIABILITIES AND NET ASSETS	2017	2016
CURRENT LIABILITIES:		
Short-term borrowings	$ -	$ 24,167
Accounts payable	238,124	236,159
Due to third-party payors	53,302	32,059
Medical claims liability	188,221	194,324
Other liabilities and accrued expenses	347,882	300,736
Current portion of capital lease payable	171	8
Current portion of long-term obligations	16,013	15,967
Current portion of malpractice and general liability	37,261	37,261
Total current liabilities	880,974	840,681
MALPRACTICE AND GENERAL LIABILITY	95,369	95,246
DEFERRED COMPENSATION, POSTRETIREMENT, AND OTHER LIABILITIES	455,190	448,522
LONG-TERM OBLIGATIONS	1,020,946	1,029,037
LONG-TERM CAPITAL LEASE PAYABLE	9,653	4,308
Total liabilities	2,462,132	2,417,794
NET ASSETS:		
Unrestricted		
Henry Ford Health System	1,679,306	1,593,299
Noncontrolling interests	3,461	3,135
Total unrestricted	1,682,767	1,596,434
Temporarily restricted	140,363	137,884
Permanently restricted	106,173	106,064
Total net assets	1,929,303	1,840,382
TOTAL	$4,391,435	$4,258,176

See notes to consolidated financial statements.

UNAUDITED
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(In thousands)

	2017	2016
UNRESTRICTED REVENUE:		
Patient service revenue	$ 1,658,691	$ 1,424,763
Less provision for bad debts	(38,464)	(25,303)
Net patient service revenue	1,620,227	1,399,460
Health care premiums	1,165,940	1,204,802
Investment income	47,137	23,459
Other income	145,632	140,416
Total unrestricted revenue	2,978,936	2,768,137
EXPENSES:		
Salaries, wages, and employee benefits	1,197,627	1,051,497
Health care provider expense	700,664	717,939
Supplies	473,201	405,248
Depreciation and amortization	91,697	85,275
General and other administrative	177,169	184,894
Other contracted services	147,926	134,247
Malpractice	18,586	15,055
Plant operations	27,890	24,333
Interest expense	16,773	20,028
Repairs and maintenance	34,595	29,612
Rent and lease	26,683	23,517
Total expenses	2,912,811	2,691,645
EXCESS OF REVENUE OVER EXPENSES BEFORE UNUSUAL ITEMS	66,125	76,492
UNUSUAL ITEMS:		
Inherent contribution of acquired net assets (Note 1)	-	245,481
Gain on sale of Midwest assets (Note 1)	-	1,696
Total unusual items	-	247,177
EXCESS OF REVENUE OVER EXPENSES FROM CONSOLIDATED OPERATIONS	66,125	323,669
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,063	1,674
EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO HENRY FORD HEALTH SYSTEM	65,062	321,995

(Continued)

UNAUDITED

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(In thousands)

	2017	2016
UNRESTRICTED NET ASSETS:		
Excess of revenue over expenses from consolidated operations	$ 66,125	$ 323,669
Change in net unrealized gains and losses on investments	15,046	8,984
Net assets released from restrictions for capital	5,899	2,038
Acquisition of noncontrolling interest (Note 1)	-	(26,000)
Distributions to noncontrolling interests	(737)	(2,715)
Increase in unrestricted net assets	86,333	305,976
TEMPORARILY RESTRICTED NET ASSETS:		
Income on restricted investments	628	1,110
Contributions and grants	18,058	21,516
Change in net unrealized gains and losses on investments	4,307	3,082
Net assets released from restrictions for operations	(19,381)	(15,889)
Net assets released from restrictions for capital	(5,899)	(2,038)
Inherent contribution of acquired net assets	-	1,012
Annual spending appropriation	4,766	4,664
Increase in temporarily restricted net assets	2,479	13,457
PERMANENTLY RESTRICTED NET ASSETS:		
Income on restricted investments	4,253	1,157
Contributions and other	622	583
Inherent contribution of acquired net assets	-	721
Annual spending appropriation	(4,766)	(4,664)
Increase (decrease) in permanently restricted net assets	109	(2,203)
TOTAL INCREASE IN NET ASSETS	88,921	317,230
TOTAL NET ASSETS—Beginning of year	1,840,382	1,547,580
TOTAL NET ASSETS—End of period	$ 1,929,303	$ 1,864,810

See notes to consolidated financial statements. (Concluded)

UNAUDITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(In thousands)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 88,921	$ 317,230
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Provision for bad debts	38,464	25,303
Depreciation and amortization	91,697	85,275
Amortization of bond premium and deferred debt issue costs	(2,390)	-
Inherent contribution of acquired net assets	-	(245,481)
Inherent contribution of acquired restricted net assets	-	(1,733)
Gain on sale of Midwest	-	(1,696)
Gain on sale of disposal of assets	(577)	(1,190)
Income on restricted investments	(4,881)	(2,267)
Restricted contributions and grants	(18,680)	(22,099)
Net realized and unrealized gains on investments—other than trading	(24,319)	(11,249)
Net realized and unrealized gains on investments—trading	(12,898)	-
Distributions to noncontrolling interests	737	2,715
Curtailment gain	(8,408)	-
Change in assets and liabilities:		
Patient and health care premium receivables	(42,535)	(40,131)
Deferred tax asset	-	(721)
Other current assets	(17,646)	(23,694)
Trading securities	(12,101)	(5,062)
Joint venture investments	154	(2,710)
Other assets	1,470	(6,163)
Accounts payable	(109)	15,595
Other liabilities	63,691	23,018
Due to/from third-party payors	13,327	(12,147)
Medical claims liability	(6,103)	(50,978)
Malpractice and general liability	123	(449)
Net cash provided by operating activities	147,937	41,366
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property	(105,959)	(75,370)
Proceeds from the sale or maturity of available for sale investments	130,862	320,760
Purchase of available for sale investments	(138,814)	(217,136)
Proceeds from the sale of trading securities	41,104	-
Purchase of trading securities	(22,166)	-
Cash acquired from business combinations	-	41,123
Net cash (used in) provided by investing activities	(94,973)	69,377

(Continued)

UNAUDITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(In thousands)

	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term borrowings	$ -	$ 2,000
Payments on short-term borrowings	(24,167)	(19,198)
Payments of long-term obligations	(5,655)	(9,934)
Payments of capital lease payable	(37)	(14)
Distributions to noncontrolling interests	(737)	(2,715)
Income on restricted investments	4,881	2,267
Restricted contributions and grants	18,680	22,099
Net cash used in financing activities	(7,035)	(5,495)
INCREASE IN CASH AND CASH EQUIVALENTS	45,929	105,248
CASH AND CASH EQUIVALENTS—Beginning of year	828,444	688,878
CASH AND CASH EQUIVALENTS—End of period	$ 874,373	$ 794,126

See notes to consolidated financial statements.

(Concluded)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization—Henry Ford Health System (the "Corporation") and its affiliates (collectively, the "System") constitute a comprehensive health care system offering health care to the people of southeastern and southcentral Michigan. The System provides medical, surgical, psychiatric, and rehabilitative services in inpatient and outpatient settings; conducts research activities; and engages in the education and training of residents, nurses, and allied health professionals. The System includes one of the nation's largest employed physician group practices. A significant portion of the System's revenues are derived through its health maintenance organization (HMO) and its subsidiaries.

The Corporation is a Michigan not-for-profit corporation that operates Henry Ford Hospital, Henry Ford Medical Group, Henry Ford West Bloomfield Hospital, Henry Ford Kingswood Hospital, and Community Care Services, each of which is an operating division of the Corporation that is not separately incorporated. The Corporation is the parent and sole member or shareholder of Henry Ford Wyandotte Hospital ("Wyandotte"); Henry Ford Macomb Hospital Corporation ("Macomb"); Henry Ford Allegiance Health Group and Affiliates ("Allegiance Health Group and Affiliates"); Health Alliance Plan of Michigan (HAP); Henry Ford Health System Foundation (the "Foundation"); Henry Ford OptimEyes; Henry Ford Physician Network (HFPN); Henry Ford Physicians Accountable Care Organization, L.L.C. (HFPACO); HFHS-SCA Holdings, L.L.C.; Henry Ford Innovation Institute (HFII); Henry Ford Health System Government Affairs Services; Onika Insurance Company Ltd. ("Onika"); Sha Realty; and Neighborhood Development, L.L.C. HAP has the following wholly owned subsidiaries: HAP Preferred Incorporated (HPI); Alliance Health and Life Insurance Company ("Alliance"); HAP Midwest Health Plan, Inc. (MHP); and Administration Systems Research Corporation (ASR). Allegiance Health Group and Affiliates has the following wholly owned subsidiaries: W.A. Foote Memorial Hospital d.b.a. Henry Ford Allegiance Health ("Allegiance Health"); CareLink of Jackson, a Community-Owned Specialty Hospital d.b.a. Henry Ford Allegiance CareLink ("CareLink"); Allegiance Health Foundation d.b.a. Henry Ford Allegiance Health Foundation ("Allegiance Foundation"); and Healthlink, Inc. ("Healthlink") and its subsidiary, Hospice of Jackson d.b.a. Henry Ford Allegiance Hospice ("Allegiance Hospice"). Allegiance Health has the following wholly owned subsidiaries: Jackson Community Medical Record, L3C (JCMR); Physicians Choice Network, L.L.C. (PCN); and Jackson Health Network, L3C. Joint ventures include Foote Health Center Associates (FHCA) (62% ownership), Northwest Detroit Dialysis Centers (56.25% ownership), and Macomb Regional Dialysis Centers, L.L.C. (60% ownership), which are consolidated.

On October 13, 2015, MHP was notified by the State of Michigan that effective January 1, 2016, they would no longer be a participating Medicaid plan for two key regions, 9 and 10, that represented 91.7% of MHP's membership. On November 23, 2015, the System entered into an agreement to transfer certain assets of MHP. This transaction was completed on January 1, 2016 and resulted in a gain of $1,696,000.

On February 1, 2016, HAP completed the merger, which was accounted for as an acquisition, with HealthPlus of Michigan (HPM) pursuant to the Agreement and Plan of Merger dated October 30, 2015, and the order approving acquisitions as approved by the State of Michigan Department of Insurance and Financial Services. The fair value of the assets acquired exceeded the liabilities assumed resulting in a final inherent contribution of $18,459,000, which was recorded during the year ended December 31, 2016.

The operating results of HPM for the period February 1, 2016, through June 30, 2016, included total unrestricted revenue of $155,296,000, the majority of which is heath care premiums, and excess of revenue over expenses before unusual items of $1,134,000.

On April 1, 2016, Allegiance Health Group and Affiliates merged with the System, which was accounted for as an acquisition. Allegiance Health Group and Affiliates, headquartered in Jackson, Michigan, operates an acute care facility and has more than 40 sites offering a wide array of primary and specialty care and represents a significant geographic expansion of the System's health care provider operations beyond southeastern Michigan. The fair value of the assets acquired exceeded the liabilities assumed resulting in an inherent contribution of $221,810,000, which was recorded during the year ended December 31, 2016.

The operating results of Allegiance Health Group and Affiliates for the period April 1, 2016 through June 30, 2016 included total unrestricted revenue of $136,007,000, the majority of which is patient service revenue, and excess of revenue over expenses before unusual items of $2,200,000.

In connection with its acquisition of a majority ownership interest in ASR by HAP, ASR entered into an employment contract and stock transfer and redemption agreement (the "Agreement") with its 33% noncontrolling interest (NCI) holder. Under the terms of the Agreement, the NCI holder had the right to require ASR to purchase the NCI holder's interest for the higher of $5,000,000 or an amount based on a predefined formula measuring the growth in ASR-related business over a three-year look back period (the "Put Option"). The Agreement obligates HAP as guarantor for ASR. On April 1, 2016, the NCI holder exercised the Put Option. ASR recorded a $27,724,000 liability during the year ended December 31, 2016 based on its calculation of the Put Option and transferred $15,000,000 to the NCI holder in exchange for an agreement to extend the negotiation period. The NCI holder has filed litigation against ASR and HAP as a protective step, should the parties be unable to reach a mutual resolution (refer to Contingencies below). The remaining outstanding payable to the NCI holder of $12,724,000 is reflected in accounts payable in the consolidated balance sheets as of June 30, 2017 and December 31, 2016.

Basis of Presentation—The consolidated financial statements include the accounts of the System members as described above. The accounting and reporting policies of the System conform to accounting principles generally accepted in the United States of America (GAAP). All intercompany transactions have been eliminated. The preparation of the consolidated financial statements in conformity with GAAP requires that management make estimates and assumptions that affect the reported amounts. Actual results could differ from those estimates.

In connection with the Series 2016 bond issuance, the System amended and restated its 2006 Master Indenture. The Amended and Restated Master Trust Indenture (the "2016 Master Indenture") created the Henry Ford Health System Credit Group (the "Credit Group"). The Credit Group is comprised of the Henry Ford Health System Obligated Group (the "Obligated Group"), Henry Ford Health System Designated Affiliates (the "Designated Affiliates"), and Henry Ford Health System Limited Designated Affiliates (the "Limited Designated Affiliates"). The Corporation, Wyandotte, Macomb, and Allegiance Health are members of the Obligated Group. HAP (excluding its subsidiaries HPI, Alliance, MHP, and

ASR) and the Foundation are Designated Affiliates. There are currently no Limited Designated Affiliates.

Net Patient Service Revenue, Patient Care Receivables, Allowance for Doubtful Accounts, Uncompensated Care, and Community Benefit—Net patient service revenue is reported at the estimated net realizable amounts. Net patient service revenue associated with services provided to patients who have third-party payor coverage is reported on the basis of contractual rates for the services rendered. Reimbursement from most payors for acute inpatient and outpatient services vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Reimbursements for services to certain patients include prospectively determined per diem rates, fee schedules, and discounts from established charges. Medicare, Medicaid, and Blue Cross have cost-reimbursed items and tentative rates with final settlement determined after submission of annual cost reports and a subsequent audit or review process, and represent the major payors included in patient care receivables at June 30, 2017 and December 31, 2016. Revenues associated with health care services provided by the System to members of its HMO are included in health care premiums in the consolidated statements of operations and changes in net assets.

In evaluating the collectability of accounts receivable, the System analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts. For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and co-payment balances due for which third-party coverage exists for a portion of the bill), the System records a provision for bad debts in the period of service on the basis of its past experience. At such point in time that a billed service is believed to be uncollectible, the related receivable is written off against the allowance for doubtful accounts. Estimates of retroactive adjustments under reimbursement agreements with third-party payors are accrued in the period the related services are rendered and adjusted in future periods as final settlements are received.

The System administers a patient financial assistance policy designed to provide financial assistance for uninsured patients as well as for insured patients with limited resources. For uninsured patients who meet the qualifications stipulated in the System’s patient financial assistance policy, emergency and other medically necessary inpatient and outpatient services are provided at no cost. For uninsured patients that do not qualify for financial assistance, the System offers a discount off standard rates for services provided that result in net charges that do not exceed 115% of Medicare payment rates. Insured patients with limited financial resources may qualify for a discount on self-pay balances. The System’s allowances, which are primarily related to self-pay patients, were $117,233,000 and $124,399,000 at June 30, 2017 and December 31, 2016, respectively. These allowances include estimates related to both presumptive eligibility for charity of $32,109,000 and $32,294,000 and bad debts of $85,124,000 and $92,105,000 at June 30, 2017 and December 31, 2016, respectively. The decrease in the allowances is due to a decrease in the uninsured or self-pay population as a result of health care reform, including Medicaid expansion that began in 2014.

A substantial portion of net patient service revenue was paid primarily by Medicare, Medicaid, and Blue Cross based upon contracted rates or under cost-reimbursement agreements in 2017 and 2016. Provisions for estimated retroactive adjustments under these agreements for current and prior years have been reflected in the accounts based upon the most-current information available. Net patient service revenue of $1,424,000 and $11,352,000 related to prior-year settlements was recorded during the six months ended June 30, 2017 and 2016, respectively.

The System provided health care services without charge or at amounts less than its established rates to patients who met the criteria of its charity care policy. The amount of charity care provided, determined on the basis of cost, is computed using a cost-to-charge ratio methodology. In addition to charity care, the System provided services to Medicare, Medicaid, and other public programs for which the payments received were less than the cost of providing services. The unpaid costs attributed to providing services under these programs are considered a community benefit. The System also provided research and community health services, such as community education and outreach in the form of free or low-cost clinics; health education; donations for the community; multiple health promotion and wellness programs, such as health screening; and various community projects and support groups.

Additionally, the System demonstrates its exempt purpose to benefit the community by operating emergency rooms and other clinical services open to the public 24 hours a day, seven days a week; providing facilities for the education and training of health care professionals; and maintaining research facilities for the study of new drugs and medical devices that offer the promise of improving health care.

The quantifiable costs of the System's uncompensated care for the six months ended June 30, 2017 and 2016, were as follows (in thousands):

	2017	2016
Charity care at cost	$ 21,582	$ 19,031
Unpaid cost of Medicare, Medicaid, and other public programs	154,119	143,312
Bad debt at estimated cost	30,028	14,234
Total cost of uncompensated care	$ 205,729	$ 176,577

Health Care Premiums—Premiums received in advance of the respective period of coverage are credited to income ratably over the period of coverage. A significant portion of HAP's customer base is concentrated in companies that are part of the automotive manufacturing industry. HAP also has a significant portion of its customer base concentrated in Medicare and Medicaid beneficiaries.

Contributions—Unrestricted contributions are included in the consolidated statements of operations and changes in net assets when received. Gifts of cash and other assets are reported as restricted contributions if they are received with donor stipulations that limit the use of the assets. When the restrictions expire or the purpose of the restriction is accomplished, temporarily restricted assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as other income or net assets released from restrictions for capital.

Other Income—Other income consists of assets released from restrictions, income from grants, income from contract pharmacy arrangements, administrative fees earned from HAP self-insured products, joint venture income, gift shop and cafeteria sales, parking garage fees, and other miscellaneous sources.

Performance Indicator—The consolidated statements of operations and changes in net assets include the excess of revenue over expenses from consolidated operations. Changes in unrestricted net assets, which are excluded from the excess of revenue over expenses from consolidated operations, consistent with industry practice, include change in net unrealized gains and losses on investments, net assets released from restrictions for capital, acquisition of noncontrolling interest, and distributions to noncontrolling interests. Certain income and expenses that are included in the performance indicator are separately presented as unusual items.

Cash and Cash Equivalents—Cash and cash equivalents consist of cash and highly liquid short-term investments (e.g., money market funds) with an original maturity of 90 days or less. Cash equivalents are stated at fair value, which approximates cost.

Short-Term Investments—Short-term investments consist primarily of fixed-income instruments with original maturities greater than 90 days and less than one year. Short-term investments are stated at fair value, which approximates cost.

Other Current Assets—Other current assets include inventories, which are stated at the lower of cost (first-in, first-out) or market.

Assets Limited as to Use and Investments—Assets limited as to use are reported at their estimated fair value or cost and include resources for which the board of trustees of the System has designated specific future uses; donor-restricted funds that arise through specific contributions to the System; and funds held by a trustee under the bond indenture agreements. The dollar amount of these assets, which are to be used to satisfy current liabilities, has been classified as a current asset.

Investments, inclusive of assets limited as to use, include marketable debt and equity securities. Investments in debt securities and investments in equity securities with readily determinable fair values are measured at fair value in the consolidated balance sheets. The System classifies these investments as either trading or available-for-sale in accordance with its intent. Investments that are actively traded are classified as trading. All other investments are classified as available-for-sale. Hedge funds and private equities are accounted for on the cost basis (except for pension assets, which are recorded at fair value). Other investments structured as limited liability corporations and partnerships are accounted for on the equity method.

Investment income includes interest, dividends, realized gains and losses, unrealized gains and losses, and equity earnings. Realized gains and losses on sales of investments are computed on the specific-identification method and the average cost method and are included in investment income or income on restricted investments. Unrealized gains and losses on investments related to trading securities are included in investment income or income on restricted investments. Unrealized gains and losses on available-for-sale investments are included in the change in net unrealized gains and losses on investments, in the changes in net assets, which is excluded from the excess of revenue over expenses from consolidated operations.

The System continually reviews available-for-sale investments for impairment conditions that may indicate that an other-than-temporary decline in market value has occurred. Declines in value judged to be other than temporary are included in investment income or income on restricted investments. In conducting this review, numerous factors are considered, which, individually or in combination, indicate that a decline is other than temporary. For debt securities, these factors include the intent to sell the security and whether the System will more likely than not sell the security before its anticipated recovery. For equity securities, these factors include the length of time and extent to which the market value is below the cost basis of the investment, the financial condition and near-term prospects of the individual security, and the ability and intent of the System to retain the investment for a period of time sufficient to allow for any anticipated recovery in the market value.

Investment income for the six months ended June 30, 2017 and 2016, consisted of the following (in thousands):

	2017	2016
The Foundation	$ 14,141	$ 4,323
Funds designated for malpractice and general liability	1,499	2,755
Funds designated for deferred compensation	8,256	3,348
Funds held under bond indenture agreements	845	618
Interest, dividends, and realized and unrealized gains from other unrestricted assets	22,396	12,415
Total investment income	$ 47,137	$ 23,459

Investment Risks—Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in values in the near term could materially affect the amounts reported in the accompanying consolidated financial statements.

Fair Value of Financial Instruments—Fair value of financial instruments has been determined using available information and appropriate valuation methodologies. The fair value of assets is based on quoted market prices, dealer quotes, and prices obtained from independent sources. The fair value of liabilities is based on a discounted cash flows analysis, using interest rates currently available for the issuance of debt with similar terms and remaining maturities. Considerable judgment is required in certain circumstances to develop the estimates of fair value, and they may not be indicative of the amounts, which could be realized in a current market exchange.

Derivative Financial Instruments—The System periodically utilizes various financial instruments (e.g., options and swaps) to limit interest rate risk and guarantee income. The System’s policies generally prohibit trading in derivative financial instruments on a leveraged basis.

Intangible and Other Assets—Intangible and other assets as of June 30, 2017 and December 31, 2016, consisted of the following (dollars in thousands):

June 30, 2017	Carrying Amount	Accumulated Amortization	Net Book Value	Useful Life
Definite-lived intangible assets:				
Customer relationships	$ 15,660	$ 4,270	$ 11,390	8–22
Trademarks	40	40	-	2
Provider relations	22,164	3,546	18,618	10–25
Reinsurance escrow	5,227	-	5,227	
Other	9,042	1,937	7,105	
Total	$ 52,133	$ 9,793	$ 42,340	

December 31, 2016	Carrying Amount	Accumulated Amortization	Net Book Value	Useful Life
Definite-lived intangible assets:				
Customer relationships	$ 15,660	$ 3,468	$ 12,192	8–22
Trademarks	40	40	-	2
Provider relations	22,164	2,976	19,188	10–25
Reinsurance escrow	7,178	-	7,178	
Other	8,562	1,684	6,878	
Total	$ 53,604	$ 8,168	$ 45,436	

Goodwill—The System evaluates goodwill for impairment as of September 30 of each year, unless conditions arise that would require a more frequent evaluation. In assessing the recoverability of goodwill, management performs a qualitative or quantitative assessment to test for impairment annually. If it is determined, on the basis of qualitative factors, that a quantitative impairment test is required, estimated future cash flows and other factors are made to determine the fair value of the respective reporting unit. If these estimates or related projections change in the future, the System may be required to record impairment charges for goodwill at that time. Impairments, if any, are charged to earnings.

Impairment—The System periodically evaluates the carrying value of its long-lived assets for impairment. This evaluation is based principally on the projected, undiscounted cash flows generated by the related assets.

Property, Plant, and Equipment—Property, plant, and equipment, which includes capitalized internal-use software, is recorded at cost or fair value at the date of acquisition. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Estimated useful lives used in computing depreciation are generally 10 years for land improvements, 15 to 40 years for buildings and building improvements, and three to 15 years for equipment.

Expenditures for maintenance and repairs are charged against operations. Expenditures for betterment and major renewals that extend the useful life of an asset are capitalized and depreciated.

Medical Claims Liability—Medical claims liability consists of unpaid medical claims and other obligations resulting from the provision of health care services. It includes claims reported as of the consolidated balance sheets date and estimates, based upon historical claims experience, for claims incurred but not reported (IBNR).

Contingencies—The System is party to lawsuits incidental to its operations, including the HAP litigation related to the ASR NCI holder discussed above. HAP has engaged independent external experts and obtained a fair market value evaluation of the ASR business that supports its calculation of the Put Option. HAP and its counsel believe that the ultimate disposition of the contingency related to the ASR NCI holder, as well as any other such litigation, will not have a material effect on the consolidated financial position of the System.

Deferred Compensation—Certain employees of the System participate in deferred compensation plans. The System has chosen to fund this liability using mutual funds and annuity or insurance contracts solely owned by the System, but accruing to vested employees. These amounts are subject to the claims of the System's general creditors. Earnings related to the deferred compensation assets, including unrealized appreciation or depreciation, are included in investment income and changes in the corresponding liability are included in salaries, wages, and employee benefits in the consolidated statements of operations and changes in net assets. The System recorded a charge to salaries, wages, and employee benefits expense of $8,256,000 and $3,348,000 during the six months ended June 30, 2017 and 2016, respectively, related to earnings from the deferred compensation assets.

Temporarily and Permanently Restricted Net Assets—Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the System in perpetuity.

Tax Status—The System, except for HAP, HFPN, Henry Ford Health System Government Affairs Services, Onika, HPI, Alliance, MHP, and ASR, consists of entities described under Internal Revenue Service Code Section 501(c)(3) and, as such, are exempt from federal income taxes under Internal Revenue Code Section 501(a) and do not have private foundation status under Internal Revenue Code Sections 509(a)(1), 509(a)(2), or 509(a)(3). HAP and Henry Ford Health System Government Affairs Services are entities described under Internal Revenue Code Section 501(c)(4) and, as such, are exempt from federal income taxes. HFPN, HPI, Alliance, MHP, and ASR are taxable entities. The System's wholly owned insurance captives, Onika and Cascades Insurance (which merged into Onika effective April 1, 2016), operate in the Cayman Islands and are currently not subject to income taxes. The System does not have any material uncertain tax positions as of June 30, 2017 and December 31, 2016.

Forthcoming Accounting Standards—In March 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This ASU requires the service cost component of net periodic benefit cost related to defined benefit pension and postretirement benefit plans to be reported in the same financial statement line as other compensation costs arising from services rendered during the period. The other components of net periodic benefit cost are required to be presented separately from service costs and outside of operating income in the statement of operations. Only the service cost component of net periodic benefit cost will be eligible for capitalization in assets. This guidance is effective for the System beginning after December 15, 2018. The System is evaluating the impact this guidance may have on the consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and Other: Simplifying the Test for Goodwill Impairment.* This guidance simplifies the subsequent measurement of goodwill by eliminating Step 2 of the goodwill impairment test. If a reporting unit fails Step 1 of the goodwill impairment test, entities are no longer required to compute the implied fair value of goodwill following the same procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, the guidance requires an entity to perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and to recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The new guidance is effective for the System for periods beginning after December 15, 2021. The System is evaluating the impact this guidance may have on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments.* This guidance adds or clarifies guidance on the classification of certain cash receipts and payments in the consolidated statements of cash flows. This guidance is effective for the System for periods beginning after December 15, 2018. The System is evaluating the impact this guidance may have on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities.* This guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about liquidity, financial performance, and cash flows. This guidance is effective for the System for periods beginning after December 15, 2017. The System is evaluating the impact this guidance may have on the consolidated financial statements.

In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients,* which amends certain aspects of the FASB's revenue standard ASU No. 2014-09, *Revenue from Contracts with Customers*. This guidance clarifies guidance related to implementation issues that could arise when organizations implement the new revenue guidance. In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers: Principal Versus Agent Considerations (Reporting Gross Versus Net).* This guidance amends the principal versus agent implementation guidance and illustrations in the FASB's revenue standard, ASU No. 2014-09. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date,* which defers the effective date of the FASB's revenue standard, ASU No. 2014-09, by one year for all entities and permits early adoption on a limited basis. In May 2014, the FASB issued ASU No. 2014-09. This guidance outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. After the deferral of the effective date, this guidance is effective for the System for periods beginning after December 15, 2017. The System is evaluating the impact this guidance may have on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842),* to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This guidance retains a distinction between operating leases and financing leases, and the classification criteria is substantially similar to previous lease guidance. The main change in the new guidance is the requirement for all leases to be recognized on the balance sheet at the present value of lease payments. This guidance is effective for the System in periods beginning after December 15, 2018. The System is evaluating the impact this guidance may have on the consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, "*Recognition and Measurement of Financial Assets and Financial Liabilities*." This guidance revises accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measure at fair value. It also amends certain disclosure requirement associated with the fair value of financial instruments. This guidance is effective for the System in periods beginning after December 15, 2018. The System is evaluating the impact this guidance may have on the consolidated financial statements.

2. ASSETS LIMITED AS TO USE

Assets limited as to use as of June 30, 2017 and December 31, 2016, consisted of the following (in thousands):

	2017	2016
Unrestricted assets limited as to use:		
The Foundation	$ 320,780	$ 303,730
Loan funds held by trustee	4,128	4,122
Funds designated for malpractice and general liability	84,313	81,051
Funds designated for deferred compensation	142,092	135,495
Funds held under bond indenture agreements	210	2,304
HAP statutory funds	14,338	14,337
Funds board-designated for research, education, and other	245,412	251,499
Total unrestricted assets limited as to use	811,273	792,538
Temporarily restricted assets:		
Grant and other funds	127,322	121,652
Grants and pledges receivable	13,041	16,232
Total temporarily restricted assets	140,363	137,884
Permanently restricted assets:		
Grant and other funds	101,528	99,578
Grants and pledges receivable	4,645	6,486
Total permanently restricted assets	106,173	106,064
Total assets limited as to use	1,057,809	1,036,486
Less requirements for current liabilities	41,833	47,822
Noncurrent assets limited as to use	$ 1,015,976	$ 988,664

Onika had reserve deposits of $11,229,000 and $11,073,000 as of June 30, 2017 and December 31, 2016, respectively, under a reinsurance trust agreement and an agency agreement. These amounts are included above in funds designated for malpractice and general liability. The HAP statutory funds are required by insurance regulations.

3. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment as of June 30, 2017 and December 31, 2016, consisted of the following (in thousands):

	2017	2016
Land and improvements	$ 83,080	$ 81,823
Building and improvements	1,570,580	1,504,524
Equipment	1,365,886	1,358,185
Construction in progress	106,883	81,758
Total	3,126,429	3,026,290
Less accumulated depreciation	1,675,646	1,599,591
Property, plant, and equipment	$ 1,450,783	$ 1,426,699

Internal use software is included above in equipment and construction in progress. The net book value was $212,387,000 and $213,640,000 at June 30, 2017 and December 31, 2016, respectively.

4. LONG-TERM OBLIGATIONS

Long-term obligations as of June 30, 2017 and December 31, 2016, consisted of the following (in thousands):

	2017	2016
Revenue and refunding bonds Series 2016, fixed rate, maturing serially through 2042, interest rates of 3.25% to 5.00%; term due 2041, interest rate of 5.00%; term due 2046, interest rate of 4.00%	$ 853,030	$ 853,030
Taxable term loan, maturing 2021, variable interest rate, 1.87% at June 30, 2017	38,035	38,035
Tax-exempt loan, fixed interest rate of 2.07%, maturing 2020	38,859	44,184
Other obligations (interest rates from 3.16% to 4.80%)	4,757	5,089
Deferred issuance costs on bonds	(6,414)	(6,591)
Unamortized premium on bonds	108,692	111,257
Total	1,036,959	1,045,004
Less current portion	16,013	15,967
Total long-term obligations	$ 1,020,946	$ 1,029,037

On September 28, 2016, the System issued $853,030,000 in Series 2016 hospital revenue refunding bonds (“Series 2016”) and entered into a taxable term loan of $38,035,000. The Series 2016 bonds were issued at a premium of $112,649,000. The proceeds were used to cash defease or refund all its existing tax-exempt bonds, plus accrued interest, and to pay certain issuance costs. The System recognized a loss on refinancing of $58,742,000 for the year ended December 31, 2016. Escrow accounts were established for the refunded bonds in amounts sufficient to cover interest, principal, and call premiums. These refundings were recorded as a legal defeasance.

The 2016 Master Indenture contains financial covenants relating to permitted debt, permitted encumbrances, permitted dispositions of cash and other assets, permitted guarantees, and permitted mergers and reorganizations. The System has no knowledge of any default in the performance of the terms, covenants, provisions, or conditions of the 2016 Master Indenture.

5. UNRESTRICTED NET ASSETS

Changes in consolidated unrestricted net assets attributable to the System and the noncontrolling interests for the six months ended June 30, 2017 and 2016, are as follows (in thousands):

	Henry Ford Health System	Noncontrolling Interests	Total
Unrestricted net assets — December 31, 2015	$ 1,335,025	$ 9,168	$ 1,344,193
Excess of revenue over expenses from consolidated operations	321,995	1,674	323,669
Change in net unrealized gains and losses on investments	8,984	-	8,984
Net assets released from restrictions for capital	2,038	-	2,038
Acquisition of noncontrolling interest	(21,110)	(4,890)	(26,000)
Distributions to noncontrolling interests	-	(2,715)	(2,715)
Increase (decrease) in unrestricted net assets	311,907	(5,931)	305,976
Unrestricted net assets — June 30, 2016	1,646,932	3,237	1,650,169
Unrestricted net assets — December 31, 2016	1,593,299	3,135	1,596,434
Excess of revenue over expenses from consolidated operations	65,062	1,063	66,125
Change in net unrealized gains and losses on investments	15,046	-	15,046
Net assets released from restrictions for capital	5,899	-	5,899
Distributions to noncontrolling interests	-	(737)	(737)
Increase in unrestricted net assets	86,007	326	86,333
Unrestricted net assets — June 30, 2017	$ 1,679,306	$ 3,461	$ 1,682,767

6. PENSION AND OTHER POST RETIRMENT BENEFIT PLANS

Effective June 30, 2017, the System permanently froze the Allegiance Health Group and Affiliates retirement plan which resulted in a curtailment gain of $8,408,000 which was recorded in Salaries, wages and employee benefits in the consolidated statements of operations and changes in net assets. Effective July 1, 2017, the Allegiance Health Group and Affiliates 403(b) plan was amended to modify the employer matching formula, add an employer annual contribution, and provide transitional contributions. The new matching formula will go into effect on the first pay of 2018 and the transitional contributions will end after the contribution for the 2020 plan year.

7. SUBSEQUENT EVENTS

Pursuant to FASB ASC Topic 855-10, *Subsequent Events — Overall,* the System has evaluated subsequent events through August 14, 2017, the date the condensed consolidated interim financial statements were issued. As a result of this evaluation, the System has no subsequent events to disclose.

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Henry Ford Health System

Other Information

For the Six Months Ended June 30, 2017 and 2016

UNAUDITED
OTHER INFORMATION
AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016

The following is additional information required by Section 4(2) of the Continuing Disclosure Agreement dated September 28, 2016. Please note the Henry Ford Health System Credit Group (the "Credit Group") represented in excess of 85% of total revenue and total unrestricted net assets of Henry Ford Health System (the "Corporation") and its affiliates (the "System"). Therefore, the following results reflected are System results, which include the Credit Group. The Credit Group is comprised of the Henry Ford Health System Obligated Group (the "Obligated Group"), Henry Ford Health System Designated Affiliates (the "Designated Affiliates"), and Henry Ford Health System Limited Designated Affiliates (the "Limited Designated Affiliates"). The Corporation, Henry Ford Wyandotte Hospital, Henry Ford Macomb Hospital Corporation, and W.A. Foote Memorial Hospital d.b.a. Henry Ford Allegiance Health are members of the Obligated Group. Health Alliance Plan of Michigan (excluding its subsidiaries HAP Preferred Incorporated, Alliance Health and Life Insurance Company, HAP Midwest Health Plan, Inc., and Administration Systems Research Corporation) and the Henry Ford Health System Foundation are Designated Affiliates. There are currently no Limited Designated Affiliates.

UNAUDITED
OTHER INFORMATION
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016

	2017	2016
UTILIZATION		
Licensed beds	2,468	2,353
Available beds	2,056	2,164
Discharges (excluding newborns)	57,143	51,673
Patient days (excluding newborns)	276,921	255,700
Length of stay	4.85	4.95
All payor case mix index	1.68	1.67
Inpatient emergency room visits	29,493	25,385
Outpatient emergency room visits	208,531	190,829
Inpatient surgeries	12,445	11,295
Outpatient surgeries	30,073	27,551
Observation cases	16,204	14,581
Total outpatient visits (including emergency room and surgeries)	3,059,023	2,734,066
HAP COVERED LIVES		
HAP	268,325	291,102
HPI	112,900	115,161
Alliance	131,597	130,578
ASR	119,946	121,225
MHP	8,314	8,733
Total	641,082	666,799
SYSTEM REVENUES ($ in thousands)		
Health care premiums	$ 1,165,940	$ 1,204,802
Net patient service revenue:		
Gross net patient service revenue	2,014,677	1,798,208
Intercompany transactions eliminated	(394,450)	(398,748)
Total net patient service revenue and health care premiums	2,786,167	2,604,262
Other income	192,769	163,875
Total unrestricted revenue	$ 2,978,936	$ 2,768,137

(Continued)

UNAUDITED
OTHER INFORMATION (Continued)
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016

	2017	2016
THIRD PARTY PAYORS		
Medicare	41%	42%
Medicaid	17%	18%
Blue Cross	24%	24%
Self-pay	5%	3%
Commercial and other	13%	13%
Total	100%	100%

SYSTEM CAPITALIZATION ($ in thousands)

Revenue refunding bonds Series 2016	$ 853,030
Taxable term loan	38,035
Tax exempt loan	38,859
Other obligations	4,757
Capital lease payable	9,824
Total debt	$ 944,505
Total unrestricted net assets	$ 1,682,767
Total capitalization	$ 2,627,272
Net long-term / debt capitalization	35.95%

DAYS CASH ON HAND ($ in thousands)

Cash and cash equivalents	$ 874,373
Short-term investments	5,635
Long-term investments	335,300
Assets limited as to use	
The Foundation	295,270
Funds designated for deferred compensation	142,092
Funds board-designated for research, education, and other	245,369
Total cash	$ 1,898,039
Total operating expenses (excluding depreciation)	$ 2,821,114
Days cash on hand (total cash / (total operating expenses (excluding depreciation) * 181))	121.78
Total cash to long-term debt	201.0%

(Concluded)