

CONSOLIDATED FINANCIAL STATEMENTS AND OTHER INFORMATION  
INDIANA UNIVERSITY HEALTH, INC. AND SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE  
For the years ended December 31, 2017 and 2016

**Indiana University Health, Inc. and subsidiaries**  
**Management's Discussion of Financial Performance**  
**As of and for the years ended December 31, 2017 and 2016**  
*(Dollars in Thousands)*

The financial statement information and other data as of December 31, 2017 and 2016 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 U.S. generally accepted accounting principles (GAAP). 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, 2017 and 2016 (not included herein).

**Nature of Operations**

The principal operating activities of the Indiana University Health System are conducted at 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), Rehabilitation Hospital of Indiana, Inc. (RHI), and Indiana University Health Saxony Hospital (Saxony).

**Statewide Facilities** – Consist of acute care hospitals and health care systems located in Lafayette, Monticello, Frankfort, Muncie, Hartford City, Bedford, Bloomington, and Paoli, Indiana. Principal hospital subsidiaries include Indiana University Health Arnett, Inc. (Arnett), Indiana University Health White Memorial Hospital, Inc. (White), Indiana University Health Frankfort Hospital, Inc. (Frankfort), Indiana University

Health Ball Memorial Hospital, Inc. and subsidiaries (Ball Memorial) including Indiana University Health Blackford Hospital, Inc. (Blackford), Indiana University Health Bedford, Inc. (Bedford), and Indiana University Health Bloomington, Inc. and subsidiaries (Bloomington) including Indiana University Health Paoli, Inc. (Paoli).

**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., and Indiana University Health Southern Indiana Physicians, Inc.

**Ambulatory Care** – Consists of personal and home health care services, occupational health services, outpatient oncology services, outpatient surgery centers, and urgent care centers that 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, Indiana University Health Central Indiana Cancer Centers, Indiana University Health Morgan, several surgery center joint ventures, and an 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 fully-insured and self-insured members residing in Indiana. Insurance offerings include commercial group products (fully-insured and self-insured), products on the Health Insurance Marketplace (Exchange), Medicare Advantage products and Medicaid management services. Indiana University Health System also participates in the medical management of Medicare fee-for-service members through a NextGen Accountable Care Organization contract with the Centers for Medicare and Medicaid (CMS). The Indiana University Health System will no longer provide products on the Exchange as of January 1, 2018.

**Foundations** – Indiana University Health is the sole corporate member of Indiana University Health Foundation, Inc., formerly known as Methodist Health Foundation, Inc. (Indiana University Health Foundation), which aids and supports Methodist Hospital and other programs and areas of Indiana University Health. Prior to December 31, 2017, Tipton was the sole corporate member of Tipton County Health Care Foundation, Inc. (Tipton Foundation), which aids in carrying out the mission of Tipton; Arnett was the sole corporate member of Indiana University Health Arnett Hospital Foundation, Inc. (Arnett Foundation), which aids and supports Arnett; and the corporate members of Indiana University Health Paoli Hospital Foundation, Inc. (Paoli Foundation), which aids and supports Paoli, were Paoli, Bloomington, and the Board of Commissioners of Orange County, Indiana. On December 31, 2017, Tipton Foundation, Arnett Foundation and Paoli Foundation were merged into the Indiana University Health Foundation. Those foundations will continue to serve the same purposes as prior to the mergers. Ball Memorial is the sole corporate member of Indiana University Health Ball Memorial Hospital Foundation, Inc. (BMH

Foundation), which aids in carrying out the mission of Ball Memorial and Blackford. RHI is the sole corporate member of RHI Foundation, Inc. (RHI Foundation), which aids and supports RHI.

*Revenue.* Total operating revenue of \$6,287,664 for the year ended December 31, 2017 increased 0.9% (or \$54,086) as compared to the prior year \$6,233,578. Adjusting for the deconsolidation of La Porte and Goshen (see Strategic Transactions), total operating revenue increased \$357,193 (or 6.0%).

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, decreased by \$113,486 (or 2.2%) for the year ended December 31, 2017 over the prior year. Adjusting for the deconsolidation of La Porte and Goshen, net patient service revenue increased \$171,357 (or 3.5%). The increase reflects increased inpatient and surgery volumes (see below), partially offset by unfavorable changes in payer mix.

The table below shows discharges and surgery cases by division, excluding La Porte and Goshen.

	<b>Year over Year</b>			
	<b><u>12/31/2017</u></b>	<b><u>12/31/2016</u></b>	<b><u>Variance</u></b>	<b><u>Percentage</u></b>
<b><u>Inpatient Discharges</u></b>				
<b>Consolidated</b> <sup>(1)</sup>	115,211	112,378	2,833	2.5%
<b>Downtown</b>	50,058	49,036	1,022	2.1%
<b>Statewide</b> <sup>(2)</sup>	44,475	43,412	1,063	2.4%
<b>Central</b>	20,678	19,930	748	3.8%
<b><u>Total Surgery Cases</u></b>				
<b>Consolidated</b> <sup>(3)</sup>	109,525	107,257	2,268	2.1%
<b>Downtown</b>	34,407	33,296	1,111	3.3%
<b>Statewide</b> <sup>(4)</sup>	25,119	25,212	(93)	-0.4%
<b>Central</b>	13,937	13,839	98	0.7%
<b>Ambulatory</b>	36,062	34,910	1,152	3.3%

(1) Including La Porte and Goshen, the variance would have been (-4.1 %)

(2) Including La Porte and Goshen, the variance would have been (-13.1 %)

(3) Including La Porte and Goshen, the variance would have been (-5.4 %)

(4) Including La Porte and Goshen, the variance would have been (-25.4 %)

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, through June 30, 2013, and was subsequently extended through June 30, 2019. The 2017 budget bill extending the program through June

30, 2019 was signed into law on April 27, 2017.

For the years ended December 31, 2017 and 2016, reimbursement related to the Medicaid Assessment Fee program was recorded within net patient revenue in the consolidated statements of operations and changes in net assets totaling \$286,856 and \$253,368, respectively. Adjusting for the deconsolidation of La Porte and Goshen, increased reimbursement related to the Medicaid Assessment Fee program totaled \$244,809 for the year ended December 31, 2016.

As of December 31, 2017, \$27,464 of DSH and UPL revenue was recognized compared to \$47,971 for the prior year. Due to the recording of reserves on DSH payments for state fiscal years 2016 and 2017, as a result of a final ruling for those fiscal years from CMS, state DSH of (\$3,198) was recognized by Indiana University Health and certain subsidiaries recorded in net patient service revenue in the accompanying consolidated statement of operations and changes in net assets for the year ended December 31, 2017. 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 \$280,802 for the year ended December 31, 2017 and \$254,669 in the prior year. Adjusting for the deconsolidation of La Porte and Goshen, the provision for uncollectible accounts amounted to \$227,060 for the year ended December 31, 2016. As a percentage of gross patient revenue, the provision for uncollectible patient accounts was 1.6% and 1.5% in 2017 and 2016, respectively.

Member premium revenue aggregated \$584,927 for the year ended December 31, 2017 and \$598,041 for the prior year. The decrease mainly relates to a change in products offered on the Exchange introduced under the Affordable Care Act and lower premium rates for certain Medicaid products, partially offset by changes in membership in the Medicaid and commercial products.

Other operating revenue of \$321,080 for the year ended December 31, 2017 increased \$167,873 (or 109.6%) compared to the year ended December 31, 2016. Adjusting for the deconsolidation of La Porte and Goshen, the increase in other operating revenue was \$177,410 (or 123.5%). The increase was primarily due to related entity operations, as well as the gain on transactions completed in the second and fourth quarters of 2017 (see Strategic Transactions).

*Expenses.* Total operating expenses of \$5,687,057 increased by 0.3% (or \$19,002) compared to the year ended December 31, 2016 (\$5,668,055). Adjusting for the deconsolidation of La Porte and Goshen, total operating expenses increased \$310,350 (or 5.8%).

Salaries, wages, and benefits increased 2.6% (or \$73,960) to \$2,918,188 compared to the prior year. Adjusting for the deconsolidation of La Porte and Goshen, salaries, wages, and benefits increased \$229,530 (or 8.5%). The increase is primarily a result of base pay increases effective in mid-2016 and mid-2017, as well as an increase in full time equivalent employees (FTEs) driven in part by increased volumes. Adjusting for the deconsolidation of La Porte and Goshen, the average number of FTEs was 28,874 and

27,421 for the years ended December 31, 2017 and 2016, respectively.

Supplies, drugs, purchased services, and other expenses of \$1,896,100 decreased 2.2% (or \$42,324) compared to the prior year (\$1,938,424). Adjusting for the deconsolidation of La Porte and Goshen, supplies, drugs, purchased services, and other expenses increased \$73,763 (or 4.0%). The increase was primarily driven by increased surgery volumes and continued increases in pharmaceutical expenses.

Fees related to the Medicaid Assessment Fee program were \$132,069 for the year ended December 31, 2017, compared to \$111,763 in the prior year. Adjusting for the deconsolidation of La Porte and Goshen, fees related to the Medicaid Assessment Fee program was \$105,904 for the year ended December 31, 2016.

Health claims to providers expenses of \$474,623 decreased 0.7% (or \$3,479) over that of the prior year (\$478,102).

Depreciation and amortization expense of \$231,601 decreased 9.2% (or \$23,603) from the prior year (\$255,204). Adjusting for the deconsolidation of La Porte and Goshen, depreciation and amortization decreased \$9,817 (or 4.1%).

Interest expense of \$34,476 was 14.5% (or \$5,858) less than the prior year (\$40,334) due in part to a decline in outstanding indebtedness. Adjusting for the deconsolidation of La Porte and Goshen, the decrease was \$5,812 (or 14.4%).

*Other.* For the years ended December 31, 2017 and 2016, Indiana University Health expensed \$17,500 related to educational and research support provided to the School of Medicine.

Investment income amounted to \$504,915 for the year ended December 31, 2017, including \$75,568 of interest and dividend income and \$373,272 of unrealized gains on investments, and \$56,075 of realized gains on investments, net of fees. For the year ended December 31, 2016, investment income aggregated to \$261,900, which included \$63,563 of interest and dividend income and \$188,755 of unrealized gains on investments, and \$9,582 of realized gains on investments, net of fees. Adjusting for the deconsolidation of La Porte and Goshen, investment income amounted to \$251,854 for the year ended December 31, 2016. Gains on interest rate swaps aggregated \$5,720 and \$3,060 for the years ended December 31, 2017, and 2016, respectively. Adjusting for the deconsolidation of La Porte and Goshen, gains on interest rate swaps aggregated \$3,105 for the year ended December 31, 2016.

### **Consolidated Balance Sheet (*Compared to year ended December 31, 2016*)**

*Consolidated Financial Position.* Total cash and investments (which principally consist of cash and cash equivalents, short-term investments, current portion of assets limited as to use, board-designated funds and other investments, and donor-restricted funds) amounted to \$5,443,259 at December 31, 2017 (\$4,700,251 at December 31, 2016). The number of days cash and investments on hand, excluding donor-restricted funds, trustee-held funds, and funds held by insurance captives, was 350 days at December 31, 2017 (306 days as of December 31, 2016). The number of days revenue in receivables was



62 days at December 31, 2017 (excluding the increased reimbursement under the Medicaid Assessment Fee program and related receivable), and 54 days at December 31, 2016. 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 56 days at December 31, 2017, and 2016.

Net current assets, or working capital, increased 48.4% to \$617,365 at December 31, 2017 (\$415,937 at December 31, 2016) primarily due to an increase in patient accounts receivable and changes in investment portfolio. Net property and equipment of \$2,339,397 decreased \$41,989 from December 31, 2016 due to continuing depreciation, partially offset by capital purchases. Firm commitments for construction-in-progress totaled \$57,695 at December 31, 2017.

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 letter of credit agreements have expiration dates within the succeeding 12-month period, a greater portion of the associated debt is classified as current, because if not otherwise extended, the agreements with the credit providers would require the principal balance of the related bonds to be repaid over a shortened time frame. Accordingly, \$6,263 was reclassified to current portion of long-term debt as of December 31, 2016, to reflect the associated amount for 2017. No such reclassification was made as of December 31, 2017.

On October 12, 2017, through the Indiana Finance Authority, Indiana University Health amended its 2011 Series H & I tax exempt, variable-rate, direct-purchase bonds changing both the variable rate and principal repayment schedule. Indiana University Health sold the bonds to a new direct purchaser with the expiration date of the direct-purchase agreement being the same date as the final maturity of the bonds.

As of December 31, 2017 and, 2016 the Indiana University Health System maintained several lines of credit totaling \$105,000. As of December 31, 2017 and 2016, the total balance drawn on the lines of credit was \$50,000 and \$0 respectively. The balance is included in the current portion of long-term debt as the line of credit associated with the drawn balance matures June 30, 2018.

On June 29, 2016, Indiana University Health provided notice of intent to exercise its one-time contractual option to prepay, without penalty, the remaining debt balance relating to a capital lease obligation. The transaction closed on January 3, 2017, and resulted in the acquisition of the leased building and termination of the lease. Accordingly, \$92,278 was reclassified from long-term debt to the current portion of long-term debt as of December 31, 2016.

Unrestricted net assets, or equity, amounted to \$6,594,120 at December 31, 2017 (\$5,593,567 at December 31, 2016) and includes the net unrealized losses on swaps of \$75,813 and \$92,240 at December 31, 2017 and 2016, 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 volume 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.

In December 2017, the Indiana University Health Board of Directors approved a capital expenditure plan to integrate maternity and neonatal services at Riley Hospital. When finished, Riley Hospital will be able to accommodate more than 3,800 deliveries annually, including those from highest risk mothers, and provide care for babies with known congenital anomalies.

In October 2017, the Indiana University Health Board of Directors approved a capital expenditure plan to build a regional 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 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.

Also in October 2017, the Indiana University Health Board of Directors approved a capital expenditure plan for expansion at West. The expansion will include additional inpatient bed capacity, a new operating room, and additional support services space to accommodate rising patient volumes.

In October 2017, Indiana University Health announced plans to open a pediatric specialty care office as well as a primary care office in Fort Wayne, Indiana in 2018. The plan is in response to the Fort Wayne community's growing need for primary care, to attract and retain quality physicians in the area, and to continue efforts to make Indiana a healthier state overall.

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 16<sup>th</sup> 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 its 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 School of Medicine and support the tripartite mission of clinical care, research, and education. The Board has not yet approved the total capital expenditures related to the plan.

Certain statements are forward-looking statements that are based on the beliefs of, and assumptions made by, the management of Indiana University Health. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the performance of the Indiana University Health System to be materially different from any expected future performance.

### **Strategic Transactions**

Indiana University Health held 50% membership interests in both MDwise, Inc. and MDwise Medicaid Network, Inc., with Health and Hospital Corporation of Marion County (HCC) holding the other 50% membership interest. On October 31, 2017, a sponsorship transfer agreement was entered into with Michigan-based McLaren Health Care (McLaren), whereby Indiana University Health and HCC would transfer their membership interests in MDwise, Inc. and MDwise Medicaid Network, Inc. to McLaren. The transaction closed on December 29, 2017, and resulted in the recognition of a gain of \$68,152 in other revenue on the consolidated statement of operations and changes in net assets.

On November 20, 2017, Indiana University Health entered into an Affiliation and Asset Purchase Agreement with Jay County Hospital, a 25-bed critical access hospital located in Portland, Indiana. Effective March 1, 2018, Jay County Hospital will transfer all of its assets and liabilities to Indiana University Health Jay Hospital, a newly created nonprofit organization, and Indiana University Health will become the sole corporate member of the hospital.

On June 1, 2017, Indiana University Health sold two outpatient hemodialysis in-center units in downtown Indianapolis and a home dialysis program to ISD Renal, Inc., a subsidiary of DaVita, Inc. Through the sale transaction, Indiana University Health sold substantially all of the assets owned and used by the dialysis business for \$25,763. Indiana University Health recognized a gain of \$25,285 related to the transaction. The gain is reflected in other revenue on the consolidated statement of operations and changes in net assets.

On November 10, 2016, Indiana University Health entered into a lease agreement with Clinton County to lease the hospital building and other related property and equipment and to assume the operations of Frankfort Hospital, the Clinton County-owned hospital, effective June 1, 2017. As of the effective date, Indiana University Health began a

five-year lease with renewal options for the 25-bed county-owned critical access hospital and affiliated medical offices. The annual minimum rental rate is \$1,000. Additional rent can be triggered if the hospital reaches certain net income targets, which did not occur in 2017.

On December 6, 2016, a Separation Agreement was executed, effective December 31, 2016, between Indiana University Health and Goshen Hospital (Goshen). As of the effective date, Indiana University Health withdrew as the sole corporate member of Goshen. Under the agreement, Goshen agreed to pay Indiana University Health a separation payment of \$20,000 payable over a ten-year period, with the first installment of \$2,000 due at closing. The Indiana University Health System recognized a nonoperating loss of \$295,214, net of the separation payment of \$20,000, related to the transaction for the year ended December 31, 2016. Just prior to the closing of this transaction, Indiana University Health, acting as Obligated Group Agent, effectuated the removal of Goshen from the Obligated Group and Affiliates.

For the year ended December 31, 2016, Goshen represented approximately 4.3% of the total operating revenues of the Indiana University Health System.

On December 24, 2015, a Contribution and Sale Agreement was executed by and among Indiana University Health, Indiana University Health La Porte (La Porte), Frankfort Health Partner, Inc. and Community Health Systems, 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%. The agreement includes a put option for Indiana University Health to put its interest in the limited liability company to CHS at its sole discretion. 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 CHS, purchased La Porte's 80% interest in the limited liability company for \$96,489, 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, were contributed to a foundation in support of the La Porte community. This transaction closed on March 1, 2016. The Indiana University Health System recognized a nonoperating loss, net of the value of Indiana University Health's investment in the new limited liability company, of \$156,809 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 La Porte from the Obligated Group. During 2016, Indiana University Health approved the termination of the La Porte defined benefit pension plan, effective December 31, 2016. Accordingly, the outstanding net actuarial loss of \$17,933 was accelerated in 2016 and was reflected in the consolidated statement of operations and changes in net assets as part of the nonoperating loss on deconsolidation of subsidiaries, net and change in pension obligation. The plan assets were liquidated and annuitized as of

December 31, 2017.

For the year ended December 31, 2016, La Porte represented approximately 0.6% of the total operating revenues of the Indiana University Health System.

### 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 for the years ended December 31, 2017 and 2016.

**Indiana University Health, Inc. and subsidiaries**  
**Adjusted Operating Income**  
*(in thousands)*

	<b>Year ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Operating income as reported	<b>\$ 583,107</b>	\$ 548,023
Noncontrolling interests in subsidiaries	<b>(111,483)</b>	(110,537)
La Porte & Goshen operating gain	-	(11,759)
DSH	<b>15,095</b>	-
Gain on sale of MDwise	<b>(68,152)</b>	-
Gain on sale of Dialysis business	<b>(25,285)</b>	-
Operating income adjusted	<b>\$ 393,282</b>	\$ 425,727
Operating margin adjusted	<b>6.6%</b>	7.4%

- During 2016, La Porte and Goshen were both deconsolidated.
- During 2017, reserves were recorded on DSH revenue related to the state fiscal year ended June 30, 2016.
- During 2017, Indiana University Health sold its membership interest in MDwise, Inc. and MDwise Medicaid Network, Inc. as well as its dialysis business (see Strategic Transactions).

**CONSOLIDATED FINANCIAL STATEMENTS**  
For the years ended December 31, 2017 and 2016

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

	December 31	
	2017	2016
Assets	(Audited)	(Audited)
Current assets:		
Cash and cash equivalents	\$ 414,674	\$ 415,860
Short-term investments	5,081	15,502
Current portion of assets limited as to use	143,611	56,958
Patient accounts receivable, less allowance for uncollectible accounts of \$221,832 and \$187,876 at 2017 and 2016, respectively	870,252	776,180
Other receivables	156,281	157,207
Prepaid expenses	46,026	25,658
Inventories	85,856	77,975
Total current assets	1,721,781	1,525,340
Assets limited as to use:		
Board-designated investment funds and other investments	4,791,654	4,142,004
Donor-restricted investment funds	88,239	69,927
Total assets limited as to use, less current portion	4,879,893	4,211,931
Property and equipment:		
Cost of property and equipment in service	5,536,733	5,531,399
Less accumulated depreciation	(3,267,111)	(3,190,606)
	2,269,622	2,340,793
Construction-in-progress	69,775	40,593
Total property and equipment, net	2,339,397	2,381,386
Other assets:		
Equity interest in unconsolidated subsidiaries	44,103	102,175
Interest in net assets of foundations	22,038	13,775
Goodwill, intangibles, and other assets	341,810	310,066
Total other assets	407,951	426,016
Total assets	\$ 9,349,022	\$ 8,544,673

*Continued on next page.*

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

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Audited)</b>	<b>(Audited)</b>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 525,199	\$ 567,486
Accrued salaries, wages, and related liabilities	296,053	241,516
Accrued health claims	95,844	94,793
Estimated third-party payer allowances	87,215	61,219
Current portion of long-term debt	100,105	144,389
Total current liabilities	<u>1,104,416</u>	<u>1,109,403</u>
Noncurrent liabilities:		
Long-term debt, less current portion	1,351,115	1,402,807
Interest rate swaps	75,813	92,240
Accrued pension obligations	10,134	100,122
Accrued medical malpractice claims	63,626	61,436
Other	33,876	95,861
Total noncurrent liabilities	<u>1,534,564</u>	<u>1,752,466</u>
Total liabilities	<u>2,638,980</u>	<u>2,861,869</u>
Net assets:		
Indiana University Health	6,368,314	5,384,110
Noncontrolling interest in subsidiaries	225,806	209,457
Total unrestricted	<u>6,594,120</u>	<u>5,593,567</u>
Temporarily restricted	42,004	22,191
Permanently restricted	73,918	67,046
Total net assets	<u>6,710,042</u>	<u>5,682,804</u>
Total liabilities and net assets	<u><u>\$ 9,349,022</u></u>	<u><u>\$ 8,544,673</u></u>



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

	Consolidated Year Ended December 31		Consolidated Three Months Ended December 31	
	2017	2016	2017	2016
	(Audited)		(Unaudited)	
Revenues:				
Patient service revenue (net of contractals and discounts)	\$ 5,662,459	\$ 5,736,999	\$ 1,486,724	\$ 1,504,067
Provision for uncollectible accounts	(280,802)	(254,669)	(69,894)	(42,742)
Net patient service revenue	5,381,657	5,482,330	1,416,830	1,461,325
Member premium revenue	584,927	598,041	150,917	109,307
Other revenue	321,080	153,207	147,748	5,327
Total operating revenues	6,287,664	6,233,578	1,715,495	1,575,959
Expenses:				
Salaries, wages, and benefits	2,918,188	2,844,228	756,607	712,626
Supplies, drugs, purchased services, and other	1,896,100	1,938,424	504,296	507,496
Hospital assessment fee	132,069	111,763	34,254	27,991
Health claims to providers	474,623	478,102	108,854	112,163
Depreciation and amortization	231,601	255,204	59,709	72,585
Interest	34,476	40,334	8,879	9,783
Total operating expenses	5,687,057	5,668,055	1,472,599	1,442,644
Operating income before educational and research support	600,607	565,523	242,896	133,315
Educational and research support to Indiana University	(17,500)	(17,500)	(4,375)	(4,375)
Total operating income	583,107	548,023	238,521	128,940
Nonoperating income (loss):				
Investment income, net	504,915	261,900	149,318	62,340
Gains on interest rate swaps, net	5,720	3,060	6,825	17,925
Loss on deconsolidation of subsidiaries, net	-	(452,119)	-	(313,243)
Debt extinguishment and other	6,990	9,768	4,897	96
Total nonoperating income (loss)	517,625	(177,391)	161,040	(232,882)
Consolidated excess of revenues over expenses (expenses over revenues)	1,100,732	370,632	399,561	(103,942)
Less amounts attributable to noncontrolling interest in subsidiaries	111,483	110,537	28,734	26,675
Excess of revenues over expenses (expenses over revenues) attributable to Indiana University Health and subsidiaries	989,249	260,095	370,827	(130,617)

Continued on next page.

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

	Year Ended December 31 2017 (Audited)			Year Ended December 31 2016 (Audited)		
	Total	Controlling	Noncontrolling	Total	Controlling	Noncontrolling
Unrestricted net assets:						
Consolidated excess of revenues over expenses	\$ 1,100,732	\$ 989,249	\$ 111,483	\$ 370,632	\$ 260,095	\$ 110,537
Change in pension obligations	(1,098)	(1,098)	—	25,430	25,430	—
Contributions for capital expenditures	8,084	8,084	—	6,735	6,735	—
Distributions to noncontrolling interests	(133,231)	—	(133,231)	(116,384)	—	(116,384)
Contributions from noncontrolling interests	38,097	—	38,097	2,940	—	2,940
Other	(12,031)	(12,031)	—	1,514	934	580
	<u>1,000,553</u>	<u>984,204</u>	<u>16,349</u>	<u>290,867</u>	<u>293,194</u>	<u>(2,327)</u>
Temporarily restricted net assets						
Change in beneficial interest in net assets of foundations	3,383	3,383	—	(419)	(419)	—
Contributions	2,211	2,211	—	1,619	1,619	—
Investment return	3,919	3,919	—	775	775	—
Net assets released from restrictions	(3,437)	(3,437)	—	(3,331)	(3,331)	—
Other	13,737	13,737	—	(345)	(345)	—
Beneficial interest reclassification	—	—	—	799	799	—
	<u>19,813</u>	<u>19,813</u>	<u>—</u>	<u>(902)</u>	<u>(902)</u>	<u>—</u>
Permanently restricted net assets:						
Change in beneficial interest in net assets of foundations	4,880	4,880	—	56	56	—
Contributions and other	1,292	1,292	—	422	422	—
Other	700	700	—	—	—	—
Beneficial interest reclassification	—	—	—	(799)	(799)	—
	<u>6,872</u>	<u>6,872</u>	<u>—</u>	<u>(321)</u>	<u>(321)</u>	<u>—</u>
Increase (decrease) in net assets	<u>1,027,238</u>	<u>1,010,889</u>	<u>16,349</u>	<u>289,644</u>	<u>291,971</u>	<u>(2,327)</u>
Net assets at beginning of year	<u>5,682,804</u>	<u>5,473,347</u>	<u>209,457</u>	<u>5,393,160</u>	<u>5,181,376</u>	<u>211,784</u>
Net assets at end of year	<u>\$ 6,710,042</u>	<u>\$ 6,484,236</u>	<u>\$ 225,806</u>	<u>\$ 5,682,804</u>	<u>\$ 5,473,347</u>	<u>\$ 209,457</u>

  

	Three Months Ended December 31 2017 (Unaudited)			Three Months Ended December 31 2016 (Unaudited)		
	Total	Controlling	Noncontrolling	Total	Controlling	Noncontrolling
Unrestricted net assets:						
Consolidated excess (deficiency) of revenues over expenses	\$ 399,561	\$ 370,827	\$ 28,734	\$ (103,942)	\$ (130,617)	\$ 26,675
Change in pension obligations	(1,098)	(1,098)	—	25,430	25,430	—
Contributions for capital expenditures	6,419	6,419	—	5,539	5,539	—
Distributions to noncontrolling interests	(38,305)	—	(38,305)	(29,600)	—	(29,600)
Contributions from noncontrolling interests	38,097	—	38,097	1,470	—	1,470
Other	3,829	5,038	(1,209)	1,515	1,759	(244)
	<u>408,503</u>	<u>381,186</u>	<u>27,317</u>	<u>(99,588)</u>	<u>(97,889)</u>	<u>(1,699)</u>
Temporarily restricted net assets						
Change in beneficial interest in net assets of foundations	3,383	3,383	—	(40)	(40)	—
Contributions	(1,082)	(1,082)	—	(554)	(554)	—
Investment return	2,573	2,573	—	(1,778)	(1,778)	—
Net assets released from restrictions	(2,351)	(2,351)	—	431	431	—
Other	(908)	(908)	—	(227)	(227)	—
	<u>1,615</u>	<u>1,615</u>	<u>—</u>	<u>(2,168)</u>	<u>(2,168)</u>	<u>—</u>
Permanently restricted net assets:						
Change in beneficial interest in net assets of foundations	4,872	4,872	—	(44)	(44)	—
Contributions and other	(3,814)	(3,814)	—	154	154	—
Other	(152)	(152)	—	—	—	—
	<u>906</u>	<u>906</u>	<u>—</u>	<u>110</u>	<u>110</u>	<u>—</u>
Increase (decrease) in net assets	<u>411,024</u>	<u>383,707</u>	<u>27,317</u>	<u>(101,646)</u>	<u>(99,947)</u>	<u>(1,699)</u>
Net assets at beginning of period	<u>6,299,018</u>	<u>6,100,529</u>	<u>198,489</u>	<u>5,784,450</u>	<u>5,573,294</u>	<u>211,156</u>
Net assets at end of period	<u>\$ 6,710,042</u>	<u>\$ 6,484,236</u>	<u>\$ 225,806</u>	<u>\$ 5,682,804</u>	<u>\$ 5,473,347</u>	<u>\$ 209,457</u>

Indiana University Health, Inc. and Subsidiaries  
Consolidated Statements of Cash Flow  
(Thousands of Dollars)

	Year Ended December 31		Three Months Ended December 31	
	2017	2016	2017	2016
	(Audited)		(Unaudited)	
<b>Operating activities</b>				
Increase (decrease) in net assets	\$ 1,027,238	289,644	\$ 411,024	(101,646)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Change in fair value of interest rate swaps	(16,427)	(20,435)	(9,269)	(21,099)
Change in pension liability	1,098	(25,430)	1,098	(25,430)
(Income) loss in unconsolidated subsidiaries	(266)	39,480	(19,903)	36,294
Loss on deconsolidation of subsidiaries, net	-	452,119	-	313,243
Gain on sale of membership interests	(68,152)	-	(68,152)	-
Gain on sale of a business unit	(25,285)	-	-	-
Provision for uncollectible accounts	280,802	254,669	69,894	42,742
Contributions from noncontrolling interests	(38,097)	(2,940)	(38,097)	(1,470)
Depreciation and amortization	231,601	255,204	59,709	72,585
Amortization of deferred gain on sale of medical office buildings	(842)	(1,071)	(207)	(252)
Gain on extinguishment of debt	(17)	(5,532)	(3,564)	-
Restricted contributions and investment return	(15,686)	(1,654)	(5,941)	2,262
Distributions to noncontrolling interests	133,231	116,384	38,305	29,600
Assets limited as to use	(744,194)	(742,318)	(233,791)	(75,561)
Net changes in operating assets and liabilities:				
Patient accounts receivable, net	(374,874)	(295,974)	(80,295)	(97,851)
Other assets	(11,251)	(155,806)	73,462	49,665
Accounts payable, accrued liabilities, and other liabilities	(137,950)	175,799	(121,512)	156,490
Accrued salaries, wages, and related liabilities	54,537	1,897	(5,498)	(44,358)
Estimated third-party payer allowances	25,996	(45,306)	(17,518)	(33,667)
Net cash provided by operating activities	321,462	288,730	49,745	301,547
<b>Investing activities</b>				
Purchase of property and equipment, net of disposals	(188,702)	(205,350)	(98,668)	(97,761)
Deconsolidation of subsidiaries, net	-	(7,154)	-	(21,154)
Proceeds from sale of a business unit	25,763	-	-	-
Proceeds from sale of membership interests	49,108	-	49,108	-
Acquisition of subsidiaries, net of cash received	(33,410)	-	(33,410)	-
Net cash used in investing activities	(147,241)	(212,504)	(82,970)	(118,915)
<b>Financing activities</b>				
Increase (decrease) in restricted net assets	15,686	1,654	5,941	(2,262)
Repayments on long-term debt	(314,961)	(351,180)	(179,820)	(16,059)
Proceeds from issuance of long-term debt	219,002	267,902	167,915	3,218
Contributions from noncontrolling interests	38,097	2,940	38,097	1,470
Distributions to noncontrolling interests	(133,231)	(116,384)	(38,305)	(29,600)
Deconsolidation of subsidiary contingent receivable	-	18,000	-	18,000
Net cash used in financing activities	(175,407)	(177,068)	(6,172)	(25,233)
(Decrease) increase in cash and cash equivalents	(1,186)	(100,842)	(39,397)	157,399
Cash and cash equivalents at beginning of period	415,860	516,702	454,071	258,461
Cash and cash equivalents at end of period	\$ 414,674	\$ 415,860	\$ 414,674	\$ 415,860

**OTHER INFORMATION**

For the years ended December 31, 2017 and 2016

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

	December 31	
	2017	2016
	(Unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 401,799	\$ 354,694
Short-term investments	5,081	15,502
Current portion of assets limited as to use	52,206	27,584
Patient accounts receivable, less allowance for uncollectible accounts	459,145	415,508
Other receivables	135,199	125,159
Prepaid expenses	33,167	29,023
Inventories	54,835	49,411
Total current assets	<u>1,141,432</u>	<u>1,016,881</u>
Assets limited as to use:		
Board-designated investment funds and other investments	4,405,934	3,777,351
Property and equipment:		
Cost of property and equipment in service	3,605,969	3,606,053
Less accumulated depreciation	<u>(2,146,624)</u>	<u>(2,094,704)</u>
	1,459,345	1,511,349
Construction-in-progress	36,341	26,895
Total property and equipment, net	<u>1,495,686</u>	<u>1,538,244</u>
Other assets:		
Equity interest in unconsolidated subsidiaries	308,677	325,454
Interest in net assets of foundations	8,319	8,384
Notes receivable and other (principally from related organizations)	695,341	703,831
Total other assets	<u>1,012,337</u>	<u>1,037,669</u>
Total assets	<u><u>\$ 8,055,389</u></u>	<u><u>\$ 7,370,145</u></u>

*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	
	2017	2016
	(Unaudited)	
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,646,938	\$ 1,682,326
Accrued salaries, wages, and related liabilities	123,862	98,758
Accrued health claims	72,056	71,293
Estimated third-party payer allowances	60,719	34,259
Current portion of long-term debt	98,405	142,768
Total current liabilities	2,001,980	2,029,404
Noncurrent liabilities:		
Long-term debt, less current portion	1,336,369	1,385,554
Interest rate swaps	75,562	91,801
Accrued pension obligations	570	15,819
Accrued medical malpractice claims	2,562	2,649
Other	24,069	85,409
Total noncurrent liabilities	1,439,132	1,581,232
Total liabilities	3,441,112	3,610,636
Net assets:		
Unrestricted	4,601,071	3,746,237
Temporarily restricted	2,257	2,278
Permanently restricted	10,949	10,994
Total net assets	4,614,277	3,759,509
Total liabilities and net assets	\$ 8,055,389	\$ 7,370,145

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	
	2017	2016	2017	2016
Revenues:	(Unaudited)		(Unaudited)	
Patient service revenue (net of contractually and discounts)	\$ 2,719,758	\$ 2,660,712	\$ 700,681	\$ 727,504
Provision for uncollectible accounts	(101,810)	(80,379)	(27,084)	(29,068)
Net patient service revenue	2,617,948	2,580,333	673,597	698,436
Member premium revenue	377,413	420,124	90,430	93,450
Other revenue	648,278	459,797	243,115	90,750
Total operating revenues	3,643,639	3,460,254	1,007,142	882,636
Expenses:				
Salaries, wages, and benefits	1,162,162	1,101,479	303,001	259,896
Supplies, drugs, purchased services, and other	1,276,522	1,240,726	330,127	323,734
Hospital assessment fee	63,393	55,143	16,438	14,569
Health claims to providers	352,006	395,554	68,886	103,636
Depreciation and amortization	145,476	156,875	37,930	48,024
Interest	34,035	39,892	9,427	10,480
Total operating expenses	3,033,594	2,989,669	765,809	760,339
Operating income before educational and research support	610,045	470,585	241,333	122,297
Educational and research support to Indiana University	(17,500)	(17,500)	(4,375)	(4,375)
Total operating income	592,545	453,085	236,958	117,922
Nonoperating income:				
Investment income, net	498,972	269,137	148,708	72,931
Gains on interest rate swaps, net	5,531	2,819	6,756	17,794
Gain on deconsolidation of subsidiaries, net	-	58,466	-	19,894
Debt extinguishment and other	1,926	9,672	(167)	-
Total nonoperating income	506,429	340,094	155,297	110,619
Excess of revenues over expenses	\$ 1,098,974	\$ 793,179	\$ 392,255	\$ 228,541

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

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 401,948	\$ 354,875
Short-term investments	5,081	15,502
Current portion of assets limited as to use	52,147	27,551
Patient accounts receivable, less allowance for uncollectible accounts	454,080	410,512
Other receivables	137,407	126,592
Prepaid expenses	32,978	28,831
Inventories	54,142	48,753
Total current assets	<u>1,137,783</u>	<u>1,012,616</u>
Assets limited as to use:		
Board-designated investment funds and other investments	4,401,110	3,773,046
Property and equipment:		
Cost of property and equipment in service	3,591,312	3,592,450
Less accumulated depreciation	<u>(2,136,578)</u>	<u>(2,085,104)</u>
	1,454,734	1,507,346
Construction-in-progress	<u>36,306</u>	<u>26,877</u>
Total property and equipment, net	<u>1,491,040</u>	<u>1,534,223</u>
Other assets:		
Equity interest in unconsolidated subsidiaries	308,875	325,653
Notes receivable and other (principally from related organizations)	700,735	709,672
Total other assets	<u>1,009,610</u>	<u>1,035,325</u>
Total assets	<u><u>\$ 8,039,543</u></u>	<u><u>\$ 7,355,210</u></u>

*Continued on next page.*



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

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,667,856	\$ 1,703,383
Accrued salaries, wages, and related liabilities	122,736	97,779
Accrued health claims	72,056	71,293
Estimated third-party payer allowances	58,076	30,510
Current portion of long-term debt	98,405	142,767
Total current liabilities	<u>2,019,129</u>	<u>2,045,732</u>
Noncurrent liabilities:		
Long-term debt, less current portion	1,336,000	1,385,143
Interest rate swaps	75,562	91,801
Accrued pension obligations	570	15,819
Accrued medical malpractice claims	2,509	2,607
Other	24,069	85,410
Total noncurrent liabilities	<u>1,438,710</u>	<u>1,580,780</u>
Total liabilities	<u>3,457,839</u>	<u>3,626,512</u>
Net assets:		
Unrestricted	4,576,817	3,723,810
Permanently restricted	4,887	4,888
Total net assets	<u>4,581,704</u>	<u>3,728,698</u>
Total liabilities and net assets	<u><u>\$ 8,039,543</u></u>	<u><u>\$ 7,355,210</u></u>

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	
	2017	2016	2017	2016
Revenues:	(Unaudited)		(Unaudited)	
Patient service revenue (net of contractals and discounts)	\$ 2,681,569	\$ 2,620,440	\$ 690,371	\$ 717,696
Provision for uncollectible accounts	(99,287)	(79,408)	(26,579)	(29,569)
Net patient service revenue	2,582,282	2,541,032	663,792	688,127
Member premium revenue	377,413	420,124	90,430	93,450
Other revenue	654,468	465,345	239,410	91,036
Total operating revenues	3,614,163	3,426,501	993,632	872,613
Expenses:				
Salaries, wages, and benefits	1,148,605	1,088,706	299,448	256,808
Supplies, drugs, purchased services, and other	1,263,628	1,228,972	321,304	320,175
Hospital assessment fee	62,311	54,376	16,171	14,353
Health claims to providers	352,712	397,241	69,078	104,146
Depreciation and amortization	144,052	155,446	37,534	47,676
Interest	34,035	39,895	8,838	9,722
Total operating expenses	3,005,343	2,964,636	752,373	752,880
Operating income before educational and research support	608,820	461,865	241,259	119,733
Educational and research support to Indiana University	(17,500)	(17,500)	(4,375)	(4,375)
Total operating income	591,320	444,365	236,884	115,358
Nonoperating income:				
Investment income, net	498,385	268,850	148,545	72,881
Gains on interest rate swaps, net	5,531	2,819	6,756	17,793
Gain on deconsolidation of subsidiaries, net	—	58,467	—	19,897
Debt extinguishment and other	1,926	9,672	(167)	(2)
Total nonoperating income	505,842	339,808	155,134	110,569
Excess of revenues over expenses	\$ 1,097,162	\$ 784,173	\$ 392,018	\$ 225,927

Indiana University Health, Inc. and Subsidiaries  
Statistical and Other Data  
As of and for the Three Months and Years Ended December 31, 2017 and 2016  
(Except as noted below)

Description	For the Year Ended December 31	
	2017	2016
<b>Academic Health Center</b>		
Active Members	1,305	1,317
Residents	682	642
Other Members	884	672
Total Medical Staff	2,871	2,631
Consolidated Number of Available Beds	2,560	2,550
<b>Employees</b>		
Consolidated FTE employees (3)	28,874	27,421
Methodist/IU/Riley/Saxony/Morgan FTE employees	8,684	8,362
<b>Obligated Group &amp; Affiliates coverage of Debt Service (dollars in thousands, annualized)</b>		
Revenues over expenses (1)	655,400	556,952
Depreciation, amortization and interest	179,511	196,767
Available to pay debt service	834,911	753,719
Actual debt service	96,854	104,724
Historical debt service coverage ratio	8.62	7.20
Forecast maximum annual debt service	108,782	112,104
Available to pay debt service	834,911	753,719
Forecast maximum annual debt service coverage ratio	7.68	6.72

Description	For the Three Months Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
<b>Consolidated Utilization and Operating Statistics (3)</b>				
Inpatient Days	158,615	156,602	631,698	619,892
Admissions	29,745	27,458	115,354	112,355
Occupancy Rate (based on available beds)	67.35%	66.77%	67.60%	66.61%
Average Length of Stay	5.33	5.70	5.48	5.52
Surgery Cases IP	7,903	7,519	30,918	30,162
Surgery Cases OP	20,759	20,991	78,607	77,095
Surgery Cases Total	28,662	28,510	109,525	107,257
Emergency Room Visits	110,182	111,822	454,398	455,762
Radiological Examinations	290,771	226,114	1,182,714	1,214,031
<b>Gross Patient Service Revenue</b>				
Medicare and Other Government	39.68%	40.24%	39.97%	39.98%
Medicaid	13.23%	14.43%	13.57%	14.67%
HIP	8.28%	6.57%	8.21%	6.43%
Medicaid and HIP	21.51%	21.00%	21.78%	21.10%
Wellpoint / Anthem	18.83%	19.33%	18.48%	19.00%
Other	15.08%	16.83%	15.15%	17.07%
Commercial / Managed Care	33.91%	36.16%	33.63%	36.07%
Self Pay and Other	4.90%	2.60%	4.62%	2.85%
Total Gross Patient Service Revenue:	100.00%	100.00%	100.00%	100.00%
<b>Medicare Case Mix Index, Academic Health Center (2)</b>	2.234	2.278	2.241	2.267

	December 31, 2017		December 31, 2016	
	Academic Health Center	Other System Hospitals	Academic Health Center	Other System Hospitals
<b>Bed Complement: Available (3)</b>				
Medical Surgical	683	831	707	756
ICU / CCU	237	112	166	106
OB / Labor Delivery	28	123	28	143
Pediatrics	172	50	220	56
Psychiatric	28	-	28	42
High-Risk Nursery	104	69	104	69
Rehab and other	-	123	-	125
Total Bed Complement	1,252	1,308	1,253	1,297

(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.

(3) 2016 data excludes Goshen and LaPorte.