Axel & Associates, Inc.

MANAGEMENT CONSULTANTS

by FedEX

May 20, 2016

Mr. Michael Constantino
c/o Illinois Health Facilities and
Services Review Board
525 West Jefferson
Springfield, IL 62761

RE: Project 16-081 018
Memorial Hospital-East Medical Clinics Building
Shiloh, Illinois

Dear Mike:

Please accept this document in response to your letter of May 16, 2016.

1. An Audited Financial Statement and a Standard and Poor's Report for BJC Healthcare are enclosed.

2. The term "medical clinics building" is a result of a shared imaging function, a shared specimen collection/laboratory function and an outpatient PT/OT/speech therapy service. These "common" areas result in the building meeting the HFSRB definition of a medical clinics building. Clinics, as one would find in a teaching hospital setting, are not being provided. Rather, the first floor will house public and waiting areas, PT/OT/Speech Therapy, specimen collection/lab, imaging, physicians' offices and mechanical spaces. The second floor will house physicians' offices, and public and waiting areas. The third floor will provide space for physicians' offices, public and waiting areas, staff support areas, storage and administrative/meeting/conference space.

3. A second determination letter (enclosed) has been requested from the Illinois Historic Preservation Agency to supplement the 2010 letter, which was included in the application. The 2010 letter addressed the entire proposed Memorial Hospital-East campus, which included the MCB site. The response from the Illinois Historical Preservation Agency will be forwarded to you, upon receipt.

4. Two general radiology rooms and two ultrasound rooms are located at Memorial Hospital-East. The hospital does not currently provide mammography, fixed-site ultrasound, bone densitometry or stereotactic biopsy services.

Should any additional information be required, please do not hesitate to contact me.

Sincerely,

Jacob M. Axel
President

Axel & Associates, Inc.

MANAGEMENT CONSULTANTS

May 19, 2016

Rachel Leibowitz, Ph.D.
Deputy State Historic Preservation Officer
Illinois Historic Preservation Agency
1 Old State Capitol Plaza
Springfield, IL 62701-1507

RE: Proposed Medical Clinics Building
Shiloh, Illinois

Dear Dr. Liebowitz:

I have recently filed a Certificate of Need application, to be filed with the Illinois Health Facilities Services and Review Board, and I am in need of a determination of applicability from your agency.

The project proposes the construction of a medical clinics building on the campus of Memorial Hospital-East in Shiloh, Illinois. That hospital was opened earlier this Spring, and when a CON Permit was being sought for that project in 2010, a determination, covering the entire campus was provided by your agency. A copy of that determination is enclosed.

The proposed medical clinics building does not have an assigned street address. However, the hospital's address is 1404 Cross Street, and I have enclosed two maps of the site, a legal description of the site, and photographs that document the absence of buildings, other than the hospital in the immediate area.

A letter from your office, confirming that the Preservation Act is not applicable to this project would be greatly appreciated.

Should you have any questions, I may be reached at the phone number below.

Sincerely,

Jacob M. Axel
President

enclosures (photographs and maps)

675 North Court, Suite 210
Palatine, Illinois 60067

Phone (847) 776-7101
Fax (847) 776-7004

CONSOLIDATED FINANCIAL STATEMENTS

BJC HealthCare
Years Ended December 31, 2015 and 2014
With Report of Independent Auditors

Ernst & Young LLP

EY

Building a better
working world

BJC HealthCare

Consolidated Financial Statements

Years Ended December 31, 2015 and 2014

Contents

EY
Building a better working world

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Report of Independent Auditors

The Board of Directors
BJC HealthCare

We have audited the accompanying consolidated financial statements of BJC HealthCare (BJC), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Building a better working world

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of BJC HealthCare at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

February 23, 2016

BJC HealthCare

Consolidated Balance Sheets
(Dollars in Millions)

	December 31 2015	December 31 2014
Assets		
Current assets:		
Cash and cash equivalents	**$ 75.3**	$ 56.3
Accounts receivable:		
Patients (less allowances for uncollectible accounts – $87.0 in 2015 and $99.7 in 2014)	**607.4**	570.5
Other	**43.9**	23.6
Other current assets	**199.4**	179.6
Total current assets	**926.0**	830.0
Investments	**5,086.5**	5,178.2
Property and equipment, net	**2,225.8**	2,047.0
Other noncurrent assets	**233.7**	217.6
Total assets	**$ 8,472.0**	$ 8,272.8
Liabilities and net assets		
Current liabilities:		
Current maturities of long-term debt	**$ 15.4**	$ 15.8
Long-term debt subject to self-liquidity	**534.7**	538.1
Other current liabilities	**705.6**	687.1
Total current liabilities	**1,255.7**	1,241.0
Noncurrent liabilities:		
Long-term debt	**1,023.6**	957.7
Self-insurance liabilities	**150.5**	146.9
Pension/postretirement liabilities	**572.5**	615.2
Other noncurrent liabilities	**270.3**	251.5
Total noncurrent liabilities	**2,016.9**	1,971.3
Total liabilities	**3,272.6**	3,212.3
Net assets:		
Unrestricted	**4,762.5**	4,622.6
Temporarily restricted	**246.7**	244.9
Permanently restricted	**190.2**	193.0
Total net assets	**5,199.4**	5,060.5
Total liabilities and net assets	**$ 8,472.0**	$ 8,272.8

See accompanying notes.

BJC HealthCare

Consolidated Statements of Operations and Changes in Net Assets

(Dollars in Millions)

	Year Ended December 31	
	2015	**2014**
Unrestricted revenues:		
Patient service revenue (net of allowances and discounts)	**$ 4,246.1**	$ 4,136.0
Provision for bad debts	**(156.1)**	(207.6)
Net patient service revenue	**4,090.0**	3,928.4
Other operating revenue	**172.3**	170.6
Total unrestricted revenues	**4,262.3**	4,099.0
Expenses:		
Salaries and benefits	**1,989.1**	1,819.7
Supplies and other	**1,777.4**	1,710.6
Depreciation and amortization	**255.7**	300.0
Interest rate swap settlements, net	**17.9**	17.6
Interest	**19.9**	18.6
Total expenses	**4,060.0**	3,866.5
Operating income	**202.3**	232.5
Investment (losses) earnings	**(3.7)**	177.0
Unrealized losses on interest rate swap contracts, net	**(4.8)**	(70.2)
Other nonoperating expense, net	**(100.2)**	(69.7)
Excess of revenues over expenses	**93.6**	269.6

BJC HealthCare

Consolidated Statements of Operations and Changes in Net Assets (continued)

(Dollars in Millions)

	Year Ended December 31 2015	2014
Unrestricted net assets:		
Excess of revenues over expenses	**$ 93.6**	$ 269.6
Pension and other postretirement liability adjustment	**42.4**	(394.1)
Net assets released for property acquisitions	**3.9**	1.3
Increase (decrease) in unrestricted net assets	**139.9**	(123.2)
Temporarily restricted net assets:		
Contributions, bequests, and grants	**28.2**	14.8
Investment (losses) earnings	**(3.7)**	14.9
Net assets released from restrictions	**(26.0)**	(25.7)
Other	**3.3**	0.7
Increase in temporarily restricted net assets	**1.8**	4.7
Permanently restricted net assets:		
Contributions and bequests	**1.1**	1.8
Investment earnings	–	0.7
Other	**(3.9)**	(0.2)
(Decrease) increase in permanently restricted net assets	**(2.8)**	2.3
Increase (decrease) in net assets	**138.9**	(116.2)
Net assets at beginning of year	**5,060.5**	5,176.7
Net assets at end of year	**$ 5,199.4**	$ 5,060.5

See accompanying notes.

BJC HealthCare

Consolidated Statements of Cash Flows

(Dollars in Millions)

	Year Ended December 31	
	2015	**2014**
Operating activities		
Increase (decrease) in net assets	**$ 138.9**	$ (116.2)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Change in unrealized losses on interest rate swaps	**4.8**	70.2
Restricted contributions	**(29.3)**	(16.6)
Depreciation and amortization	**255.7**	300.0
Provision for bad debts	**156.1**	207.6
Pension and other postretirement liability adjustment	**(42.4)**	394.1
Increase in patient accounts receivable, net	**(193.0)**	(228.3)
Increase in other current assets	**(40.0)**	(33.7)
Increase in other current liabilities	**17.1**	35.3
Investments classified as trading, net	**(23.5)**	28.8
Increase in other assets	**(15.9)**	(45.5)
Increase (decrease) in self-insurance liabilities	**5.0**	(4.8)
Increase (decrease) in other noncurrent liabilities	**11.2**	(23.2)
Net cash provided by operating activities	**244.7**	567.7
Investing activities		
Purchases of property and equipment, net	**(434.5)**	(316.4)
Sales of interests in alternative investments	**612.7**	359.4
Purchases of interests in alternative investments	**(495.2)**	(864.2)
Net cash used in investing activities	**(317.0)**	(821.2)
Financing activities		
Payments of debt	**(88.0)**	(15.6)
Proceeds from issuance of debt	**150.0**	209.2
Restricted contributions	**29.3**	16.6
Net cash provided by financing activities	**91.3**	210.2
Net increase (decrease) in cash and cash equivalents	**19.0**	(43.3)
Cash and cash equivalents, beginning of year	**56.3**	99.6
Cash and cash equivalents, end of year	**$ 75.3**	$ 56.3

See accompanying notes.

1. Organization and Summary of Significant Accounting Policies

Nature of Organization

BJC HealthCare (BJC or the System) is a regional healthcare delivery system operating in Missouri and southern Illinois. BJC is the sole corporate member of Barnes-Jewish Hospital (Barnes-Jewish), Christian Health Services Development Corporation (Christian), Missouri Baptist Medical Center (MBMC), St. Louis Children's Hospital (Children's), and Progress West Hospital (PWH) (collectively, the Institutions).

BJC is a Missouri not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and has received an Internal Revenue Service (IRS) determination letter stating that it is exempt from federal income taxes on its related income pursuant to Section 501(a) of the Code. The Institutions are also Missouri not-for-profit corporations as described in Section 501(c)(3) of the Code, and each has received IRS determination letters stating that they are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

CH Allied Services, Inc. (CHAS), an affiliate of Christian, leases and operates Boone Hospital Center (BHC) in Columbia, Missouri. The owner and lessor of BHC is the Board of Trustees of Boone County Hospital (BHC Lessor). The financial position and results of operations of BHC are included in BJC's consolidated financial statements. The lease agreement (the Lease) extends to December 31, 2020, with continuing five-year terms thereafter unless the Lease is terminated. Either party has the option to terminate the Lease during the current term or any successive five-year term by giving notice two years prior to the end of the then-current term. If the Lease is terminated, certain assets recorded in BJC's consolidated financial statements will revert to the BHC Lessor, and BJC will record a charge equal to the amount of BHC's unrestricted net assets due to a change in control over the assets. At December 31, 2015, unrestricted net assets of BHC included in the consolidated financial statements totaled $147.4.

In May 2015, BJC acquired the operations and net assets of Mineral Area Regional Medical Center (MARMC) for approximately $28.5 in cash. The transaction was accounted for as an acquisition in accordance with Accounting Standards Codification (ASC) Topic 958-805, *Business Combinations – Not-for-Profit Entities*. Based on a valuation of the business, the purchase price was allocated to working capital ($2.9), property, plant and equipment ($14.1), and goodwill ($11.5). This represents a Level 3 fair value measurement. The excess of the

1. Organization and Summary of Significant Accounting Policies (continued)

purchase price over fair value of net assets acquired was recorded as goodwill. The goodwill can be attributed to benefits that BJC expects to realize from operating efficiencies and increased revenues. The operations and cash flows of MARMC are included in the consolidated financial statements from the date of acquisition.

Consolidation

All significant intercompany transactions and account balances have been eliminated in the consolidated financial statements.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with original, short-term maturities of less than 90 days.

Investments and Investment Earnings

Investments include assets held by trustees under indenture, under the Lease, self-insurance agreements, foundation assets and unrestricted investments set aside by the Board of Directors (the Board) over which it retains control and may, at its discretion, subsequently use for other purposes. Investments in equity and debt securities are measured at fair value.

1. Organization and Summary of Significant Accounting Policies (continued)

For purposes of recognizing investment earnings as a component of excess of revenues over expenses, all investments, except for alternative investments, are considered to be trading securities. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in excess of revenues over expenses unless the income or loss is restricted by donor or law. Gains and losses with respect to disposition of marketable securities are based on the average cost method. Investment earnings related to temporarily and permanently restricted net assets are added to or deducted from the appropriate net asset balance based on donor intent.

Within established investment policy guidelines, BJC may enter into various exchange-traded and over-the-counter derivative contracts for economic hedging purposes, including futures, options, swaps, and forward contracts. BJC has not designated its derivatives related to marketable securities as hedges, and the change in fair value of these derivatives is recognized in excess of revenues over expenses.

BJC invests in alternative investments (primarily hedge funds, private equity investments and credit funds), generally through limited liability corporations (LLCs) and limited liability partnerships (LLPs), which are reported using the equity method of accounting based on information provided by the respective LLCs and LLPs.

The values provided by the respective organizations are based on historical cost, appraisals, or other estimates that require varying degrees of judgment. Management has utilized the best available information for reported values, which in some instances are valuations as of an interim date not more than 90 days before year-end. Generally, the net asset value of BJC's holdings reflects net contributions to the organization and an allocated share of realized and unrealized investment income and expenses. Returns from equity method investments, whether realized or unrealized, are included in investment earnings in excess of revenues over expenses.

Investment securities purchased and sold are reported based on trade date. Due to the difference between the trade date and the settlement date, BJC reports receivables for securities sold but not settled and reports liabilities for securities purchased but not settled. These receivables and payables are settled from within the investment portfolio and are presented on a net basis within investments in the consolidated balance sheets.

1. Organization and Summary of Significant Accounting Policies (continued)

Securities Lending Program

BJC participates in securities-lending transactions with its investment custodian whereby a portion of its securities are loaned to selected, established brokerage firms in return for securities from the brokers as collateral for the securities loaned, usually on a short-term basis of up to 60 days. Collateral provided by the brokerage firms generally approximates 103% of the fair value of the securities on loan and is adjusted for daily market fluctuations. BJC earns a rebate on the loaned securities. Neither BJC nor its investment custodian has the ability to pledge or sell securities received as collateral unless a borrower defaults.

BJC also participates in a securities lending arrangement in the investment portfolio of its sponsored defined benefit pension plan as more fully described in Note 11.

Interest Rate Swaps

BJC uses interest rate swap contracts in managing its capital structure. BJC recognizes these derivative instruments as either assets or liabilities in the consolidated balance sheets at fair value. BJC does not account for any of its interest rate swap contracts as hedges, and accordingly, realized and unrealized gains and losses are reflected in excess of revenues over expenses in the accompanying consolidated statements of operations and changes in net assets. BJC also does not offset fair value amounts recognized for derivative instruments and fair value amounts recognized for cash collateral posted.

Inventory

Inventories, which consist principally of medical supplies and pharmaceuticals, are stated at lower of cost or market. Cost is generally determined using average cost.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at fair value at the date of donation, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the property. BJC follows the American Hospital Association guidelines for assigning useful lives to property and equipment purchased. BJC capitalizes certain internally developed software costs in

1. Organization and Summary of Significant Accounting Policies (continued)

accordance with Financial Accounting Standards Board (FASB) ASC 350-44, *Internal-Use Software*. Interest cost incurred in connection with borrowings to finance major construction and facility expansion is capitalized during the construction period and subsequently amortized over the lives of the related assets.

Asset Impairment

BJC considers whether indicators of impairment are present and performs the necessary test to determine if the carrying value of an asset is appropriate. Impairment write-downs are recognized in operating income at the time the impairment is identified.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by BJC has been limited by donors for a specific time period or purpose, primarily for research and education, special programs, patient care, operations, and property and equipment. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity; the income from these funds is used primarily for special programs, operations, research and education, and patient care or added back to the corpus in accordance with donor restrictions.

Net Patient Service Revenue and Patient Accounts Receivable

Patient service revenue is reported net of contractual allowances and discounts at estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive adjustments due to audits, reviews, investigations, and significant regulatory actions. Net patient service revenue is reported net of provision for bad debts. Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined.

The provision for bad debts is based upon management's judgmental assessment of historical and expected net collections considering business and general economic conditions in its service area, trends in healthcare coverage, and other collection indicators. Throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon its

(Dollars in Millions)

1. Organization and Summary of Significant Accounting Policies (continued)

review of accounts receivable payor composition and aging, taking into consideration recent write-off experience by payor category, payor agreement rate changes, and other factors. The results of these assessments are used to make modifications to the provision for bad debts and to establish an appropriate allowance for uncollectible accounts receivable. For third-party payors, the provision is determined by analyzing contractually due amounts from payors who are known to be having financial difficulties. For self-pay patients, the provision is based on an analysis of past experience related to patients unwilling to pay standard rates charged. The difference between the standard rate charged (less the negotiated discounted rate) and the amount actually collected after reasonable collection efforts have been exhausted are charged off against the allowances for uncollectible accounts. BJC follows established guidelines for placing certain past-due patient balances with external collection agencies.

Contributions, Bequests, and Pledges

Unrestricted contributions and bequests are reported in other nonoperating expense, net when pledged. Restricted contributions and bequests are reported as additions to the appropriate restricted net asset balance. Restricted pledges are recorded at fair value in the year notification is received as an addition to the appropriate restricted net asset balance. Management believes these are Level 2 fair value measurements (as defined in Note 10) recorded on a nonrecurring basis. Pledges receivable totaling $26.0 and $23.0 are included in other current assets and other noncurrent assets at December 31, 2015 and 2014, respectively. These pledges are recorded at their net present value based on the expected timing of pledge fulfillment using an average credit adjusted discount rate of 3.7% in 2015 and 3.8% in 2014, which approximates fair value at the date the pledge is received. Management believes total pledges will be received as follows:

	2015	2014
Within one year	$ **5.7**	$ 4.2
One to five years	**5.5**	4.4
After five years	**25.6**	26.1
	36.8	34.7
Less present value factor	**(10.6)**	(11.4)
Less allowance for uncollectible pledges	**(0.2)**	(0.3)
	$ **26.0**	$ 23.0

1. Organization and Summary of Significant Accounting Policies (continued)

Performance Indicator

BJC's performance indicator is excess of revenues over expenses, which includes all changes in unrestricted net assets other than contributions of property, and pension and other postretirement liability adjustments.

Operating and Nonoperating Income

BJC's primary mission is to meet the healthcare needs in its service areas through a broad range of general and specialized healthcare services, including inpatient acute care, outpatient services, physician services, and other healthcare services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses peripheral to BJC's primary mission are considered to be nonoperating. All unrestricted activities of BJC's wholly owned affiliated Foundations (the Foundations), including contribution and grant activity, are recorded in other nonoperating expense, net.

Income Taxes

The authoritative guidance in ASC 740, *Income Taxes*, creates a single model to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. Under the requirements of this guidance, tax-exempt organizations could be required to record an obligation as the result of a tax position they have historically taken on various tax exposure items. BJC has not recognized a liability for uncertain tax positions.

Functional Expenses

BJC's accounting policies conform to U.S. GAAP applicable to healthcare organizations. Substantially all expenses are related to providing healthcare services to the community.

New Accounting Standards Not Yet Adopted

In May 2014, the FASB and International Accounting Standards Board (IASB) issued *Revenue from Contracts with Customers*, which replaces all existing IFRS and U.S. GAAP revenue requirements. BJC is currently evaluating the effects of the standard on its financial statements. The standard is not effective for BJC until December 31, 2018.

1. Organization and Summary of Significant Accounting Policies (continued)

In August 2014, the FASB issued Accounting Standards Update (ASU) 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40)*, that requires management to evaluate whether there are conditions and events that raise substantial doubt about an entity's ability to continue as a going concern. This standard is not effective for BJC until December 31, 2016.

New Accounting Standards Adopted

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820) Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).* The provisions of this ASU affect fair value measurement disclosures only. Investments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient provisions of ASC 820, *Fair Value Measurement,* are no longer required to be included within the fair value hierarchy leveling tables. BJC early adopted this guidance as of December 31, 2015, with amendments applied retrospectively to all periods presented. The application of this ASU resulted in changes within both the Fair Value Measurements and Postretirement Benefits notes for the year ended December 31, 2014.

Reclassifications

Certain balances in the 2014 consolidated balance sheet have been reclassified to conform to current year presentation. The effect of such reclassifications did not change total net assets or unrestricted net assets.

(Dollars in Millions)

2. Net Patient Service Revenue and Uncompensated Care

BJC provides healthcare services through inpatient, outpatient, and ambulatory care facilities. Services provided to certain patients are covered by various governmental and third-party payment programs, including Medicare and Medicaid, at contractual rates generally below BJC's established rates. Revenue from Medicare and Medicaid programs accounted for approximately 43% and 45% of BJC's patient service revenue (net of contractual allowances and discounts) for the year ended December 31, 2015 and 2014, respectively. The composition of patient service revenue (net of contractual allowances and discounts) by third-party payor is as follows:

	2015	2014
Medicare	$ **1,258.7**	$ 1,256.4
Medicaid	**569.8**	551.5
Managed Care	**2,095.8**	2,010.2
Self-pay	**170.2**	181.5
Other	**151.6**	136.4
	$ **4,246.1**	$ 4,136.0

BJC grants credit to patients and generally does not require collateral or other security in extending credit to patients. However, BJC routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans or policies (e.g., Medicare, Medicaid, managed care payors, and commercial insurance policies). As of December 31, 2015 and 2014, 32% and 34%, respectively, of patient accounts receivable, net, were collectible from governmental payors. The remaining 68% and 66% of patient accounts receivable, net, in 2015 and 2014, respectively, were collectible primarily from managed care and commercial insurance payors.

As of December 31, 2015 and 2014, BJC expects to collect approximately 19% and 18%, respectively, of all amounts due from self-pay patients (including patients without insurance and patients with deductibles and copayment balances due for which third-party coverage exists for part of the bill). In 2015, BJC's provision for bad debts decreased $51.5 due to more patients having insurance coverage and the full year impact of revisions to BJC's financial assistance policy made in 2014. As a result, BJC decreased its allowance for uncollectible accounts from $99.7 as of December 31, 2014 to $87.0 as of December 31, 2015.

2. Net Patient Service Revenue and Uncompensated Care (continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Noncompliance with Medicare and Medicaid laws and regulations can make BJC subject to significant regulatory action, including substantial fines and penalties, as well as exclusion from the Medicare and Medicaid programs. The 2015 and 2014 net patient service revenue increased by $14.2 and decreased by $4.2, respectively, due to changes in estimated payment related to third-party payors and certain historical cost report periods. Operating income for 2015 and 2014 increased by $8.6 and decreased by $2.9, respectively, as a result of these changes in estimated payment.

Under Section 302 of the Tax Relief and Health Care Act of 2006, Congress required the Secretary of the Department of Health and Human Services to institute a permanent and national Recovery Audit program to recoup overpayments associated with services for which payment is made under part A or B of title XVIII of the Social Security Act. Under the Recovery Audit program, BJC, like other healthcare providers, experiences withholding of payments from the Medicare program for a variety of circumstances that result in uncertainty in the estimated realization of both current receivables and previously collected amounts. Accordingly, BJC estimates the impact, on a net basis, of amounts that may be withheld or recouped under the Recovery Audit program and amounts previously withheld or recouped inappropriately that are due to BJC. The 2015 and 2014 net patient service revenue increased by $7.8 and $50.4, respectively, due to changes in estimated recoveries under the Recovery Audit contractor program. Operating income for 2015 and 2014 increased by $5.7 and $39.4, respectively, due to changes in estimated recoveries under the Recovery Audit contractor program.

Uncompensated Care

In support of its mission, BJC provides charity care to patients who lack financial resources and are deemed to be medically indigent. Policies have been established that define charity care and provide guidelines for assessing a patient's ability to pay. Evaluation procedures for charity care qualification have been established for those situations when previously unknown financial circumstances are revealed or when incurred charges are significant when compared to the individual patient's income and/or net assets. Charity care also includes services for which the patient may not participate in the charity care process, but are otherwise deemed to meet the System's financial assistance policy. Because BJC does not pursue collection of amounts

2. Net Patient Service Revenue and Uncompensated Care (continued)

determined to qualify as charity care, such amounts are not reported as net patient service revenue. In addition, BJC provides services to other medically indigent patients under various state Medicaid programs, which pay providers amounts that are less than the costs incurred for the services provided to the recipients.

The estimated cost of charity care was $133.4 and $120.2 in 2015 and 2014, respectively. Costs are estimated using the ratio of BJC's costs to its charges and applying to gross charity charges. These ratios are then used to determine the cost of each account that qualifies for charity care.

3. Electronic Health Record Incentive Program

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. BJC accounts for meaningful use incentive payments under a gain contingency model. Medicare EHR incentive payments are recognized as revenues when eligible providers demonstrate meaningful use of certified EHR technology and the cost report information for the full cost report year that will determine the full calculation of incentive payment is available. Medicaid EHR incentive payments are recognized as revenues when an eligible provider demonstrates meaningful use of certified EHR technology. BJC recognized $12.8 and $18.9 of meaningful use revenue in 2015 and 2014, respectively. The revenue is recorded in other operating revenue in the consolidated statements of operations and changes in net assets. As a result, BJC's operating income increased $11.9 and $16.9 in 2015 and 2014, respectively. BJC's attestation of compliance with the meaningful use criteria is subject to audit by the federal government or its designee. Additionally, EHR incentive payments are subject to retrospective adjustment upon final settlement of the applicable cost report from which payments were initially calculated.

(Dollars in Millions)

4. Affiliation Agreement with Washington University

BJC has an affiliation agreement with Washington University (the University) that expires on December 31, 2023, but which may be canceled upon one-year written notice by either party. Under the terms of the affiliation agreement, the University trains and supervises medical residents and manages certain clinical and research activities of BJC. The annual expense for these services provided by the University under the affiliation agreement is based on a fixed payment ($7.8 in 2015 and 2014) plus a payment based on the combined net operating income of Barnes-Jewish, Barnes-Jewish West County Hospital (one of Barnes-Jewish's wholly owned affiliates), and Children's. Amounts expensed as supplies and other in the consolidated statements of operations and changes in net assets for these services under the affiliation agreement totaled $105.2 and $102.3 in 2015 and 2014, respectively. Payments to the University under the affiliation agreement are made on a semiannual basis.

In addition to the affiliation agreement, BJC has supplemental agreements with the University whereby BJC pays the University for certain purchased services and leased facilities and equipment. These supplemental agreements have varying terms with fixed and variable payment arrangements. Amounts expensed as supplies and other for these services totaled $151.4 and $125.2 in 2015 and 2014, respectively.

In addition, BJC received $17.3 and $19.0 from the University in 2015 and 2014, respectively, for certain purchased services and leased facilities and equipment.

Through the Foundations, BJC provides support to the University through various grant processes. These expenses are included in other nonoperating expense, net and net assets released from restrictions and total $88.2 and $86.9 in 2015 and 2014, respectively. Grants payable are included in other current and other noncurrent liabilities totaling $189.3 and $159.8 at December 31, 2015 and 2014, respectively. Management believes total grants payable will be paid as follows:

	2015	2014
Within one year	$ **102.8**	$ 89.1
One to five years	**81.8**	60.5
After five years	**4.7**	10.2
	$ **189.3**	$ 159.8

(Dollars in Millions)

4. Affiliation Agreement with Washington University (continued)

As of December 31, 2015, BJC has an unrecorded, conditional commitment to the University to fund two medical research and education initiatives that may cost $165.0, to be paid over the next eight to 10 years, if certain criteria are met.

5. Investments

The following is a summary of investments included in the consolidated balance sheets:

	2015	2014
Unrestricted investments	**$ 3,839.7**	$ 4,035.1
Securities on loan	**91.3**	45.8
Held at foundations	**936.5**	848.7
Assets limited as to use:		
Under self-insurance arrangements	**68.7**	72.7
Under the Lease	**58.4**	57.9
Under indenture agreements	**106.5**	131.2
	5,101.1	5,191.4
Less amounts included in other current assets	**(14.6)**	(13.2)
	$ 5,086.5	$ 5,178.2

(Dollars in Millions)

5. Investments (continued)

The following is a summary of the composition of investments as of December 31:

	2015	2014
Cash and short-term investments	**$ 138.5**	$ 223.2
Income securities:		
U.S. government and agency obligations	**546.4**	411.7
Corporate debt securities	**843.3**	849.6
Asset-backed and securitized bonds and notes	**406.8**	381.3
Equity securities	**520.8**	624.0
Alternative investments:		
Hedge funds	**899.2**	1,146.4
Private equity and credit funds	**970.7**	815.2
Other investments:		
Fixed income – commingled funds	**176.2**	249.7
Equity – commingled funds	**532.7**	471.4
Other	**3.3**	5.3
Accrued interest and dividends receivable	**13.8**	13.5
	5,051.7	5,191.3
Less amounts included in other current assets	**(14.6)**	(13.2)
	5,037.1	5,178.1
Amounts due to brokers	**(29.2)**	(33.7)
Amounts due from brokers	**78.6**	33.8
	$ 5,086.5	$ 5,178.2

BJC's investments are exposed to various kinds and levels of risk. Income securities expose BJC to interest rate risk, credit risk, and liquidity risk. As interest rates change, the value of many fixed-income securities with fixed interest rates is affected. Credit risk is the risk that the obligor of the security will not fulfill its obligation. Liquidity risk is affected by the willingness of market participants to buy and sell given securities.

5. Investments (continued)

Equity securities expose BJC to market risk, performance risk, and liquidity risk. Market risk is the risk associated with major movements of the equity markets, both domestic and international. Performance risk is the risk associated with a particular company's operating performance. Liquidity risk, as previously defined, tends to be higher for international and small domestic capitalization equity companies.

Alternative investments have similar risks as income and equity securities although there may be additional risks. These securities consist principally of non-controlling interests in limited liability partnerships (LLP) and limited liability corporations (LLC). Because these funds are invested through LLCs and LLPs, the underlying net asset value of the investments is based on valuations provided by the managers. Nearly all of the hedge fund manager valuations are independently priced or verified by third-party administrators. Private equity and credit investments have contractual commitments to provide capital contributions during the investment period, up to seven years from initial investment date, and restrictions on the timing of withdrawals, up to 11 years from initial investment date, which may reduce liquidity. Certain hedge fund investments also have restrictions on the timing of withdrawals, up to two years from initial investment date, which may reduce liquidity. BJC has unfunded commitments of $960.1 to private equity and credit funds as of December 31, 2015. Due to the uncertainty surrounding whether the contractual commitments will require funding during the contractual period, future minimum payments to meet these commitments cannot be reasonably estimated. These committed amounts are expected to be primarily satisfied by the liquidation of existing investments.

BJC holds options, swaps, and currency forwards as part of our investment strategy. This economic hedging is based on investment portfolio exposure to long-only equities, foreign exchange, and fixed income. No leverage is utilized for this hedging activity. These contracts are subject to counterparty credit risk, the risk that contractual obligations of the counterparties (including BJC) will not be fulfilled. Counterparty credit risk is managed by requiring high credit standards for BJC's counterparties, as well as collateral posting requirements. The counterparties to these contracts are financial institutions that carry investment-grade credit ratings.

These contracts contain collateral provisions applicable to both parties that mitigate credit risk above a specified mark-to-market posting threshold that is based on a fixed dollar amount. Pursuant to the collateral posting requirements under the contracts at December 31, 2015 and 2014, BJC posted $1.2 and counterparties posted $8.5, respectively.

(Dollars in Millions)

5. Investments (continued)

At December 31, 2015 and 2014, the notional value of derivatives was approximately $521.9 and $533.3, respectively. The fair value of derivatives in an asset position, included in investments in the consolidated balance sheet, was $3.3 and $8.7 at December 31, 2015 and 2014, respectively, while the fair value of derivatives in a liability position, included in other noncurrent liabilities in the consolidated balance sheet, was $2.4 and $0 at December 31, 2015 and 2014, respectively. BJC recognized a loss of $19.6 and $11.8 in 2015 and 2014, respectively, which are recorded in investment earnings within the consolidated statements of operations and changes in net assets.

At December 31, 2015 and 2014, investments include the fair value of securities on loan of $91.3 and $45.8, respectively. Posted collateral for these securities on loan at December 31, 2015 and 2014 totaled $93.3 and $47.3, respectively.

Investment earnings for the years ended December 31 is summarized as follows:

	2015	2014
Interest and dividends	**$ 91.7**	$ 79.9
Net realized gains	**126.8**	171.4
Net unrealized losses	**(225.9)**	(58.7)
Total investment earnings	**$ (7.4)**	$ 192.6
Included in investment earnings	**$ (3.7)**	$ 177.0
Included in temporarily and permanently restricted net assets	**(3.7)**	15.6
Total investment earnings	**$ (7.4)**	$ 192.6

(Dollars in Millions)

6. Property and Equipment

A summary of property and equipment, net, as of December 31 is as follows:

	2015	2014
Land and land improvements	$ **166.8**	$ 165.8
Building and improvements	**1,952.0**	1,806.8
Equipment	**3,152.1**	3,081.7
	5,270.9	5,054.3
Less accumulated depreciation	**(3,490.7)**	(3,247.3)
	1,780.2	1,807.0
Construction-in-progress	**445.6**	240.0
	$ **2,225.8**	$ 2,047.0

At December 31, 2015, BJC had outstanding contracts totaling $980.3 for all construction-related activities, including architecture and engineering services. The estimated remaining cost to complete these contracts totals $438.1 as of December 31, 2015. Net interest capitalized in 2015 and 2014 totaled $5.6 and $2.5, respectively.

BJC evaluates long-lived assets used in operations for impairment as events and changes in circumstances indicate that the carrying amount of such assets might not be recoverable. Assets are grouped at the lowest level for which there is identifiable cash flows that are largely independent of the cash flows of other groups of assets, which generally is at the hospital level.

During 2014, BJC evaluated the carrying value of long-lived assets at one of its hospitals that has experienced recent operating losses as a result of reduced Medicare and Medicaid reimbursement, increasing self-pay revenues, and general market decline. Based on this evaluation, BJC determined that the full carrying value of the hospital's long-lived assets was no longer recoverable and recorded an impairment charge of $37.4, included in depreciation and amortization expense, to reduce the property and equipment to estimated fair value. Fair value was based on a market approach, comparing the asset group to similar assets that have been sold or offered for sale, adjusted for differences, such as historical financial condition and performance, expected economic benefits, and physical characteristics, all of which constitute unobservable Level 3 inputs. Management believes the assumptions used are consistent with those a market participant would use.

(Dollars in Millions)

7. Other Current Assets and Liabilities

Other current assets consist of the following as of December 31:

	2015	2014
Inventory	$ **94.6**	$ 86.2
Due from third-party payors	**49.5**	43.8
Prepaid expenses	**40.7**	35.9
Current portion of self-insurance trust	**14.6**	13.2
Other	**–**	0.5
	$ **199.4**	$ 179.6

Other current liabilities consist of the following as of December 31:

	2015	2014
Accounts payable	$ **108.0**	$ 106.8
Accrued payroll and related liabilities	**210.0**	237.5
Accrued expenses and other	**124.5**	102.2
Due to third-party payors	**14.4**	18.5
Due to Washington University	**234.1**	208.9
Self-insurance liabilities	**14.6**	13.2
	$ **705.6**	$ 687.1

(Dollars in Millions)

8. Long-term Debt

Long-term debt consists of the following at December 31:

	2015	2014
Series 2011A-B variable rate term bonds, privately placed, puttable starting in 2025 at which time bonds can be remarketed or redeemed, interest (0.67% to 0.72% at December 31, 2015) set at prevailing market rates, due through 2046	**$ 200.0**	$ 200.0
Series 2012A-E and Series 2013B variable rate term bonds, privately placed, puttable starting in 2023 at which time bonds can be remarketed or redeemed, interest (0.67% to 0.71% at December 31, 2015) set at prevailing market rates, due through 2048	**371.0**	371.0
Series 2005B and Series 2008A-E variable rate demand bonds subject to self-liquidity, interest (0.01% at December 31, 2015) set at prevailing rates, due through 2038	**438.1**	441.5
Series 2013C variable rate demand bonds subject to self-liquidity and a put provision that provides for a seven-month notice and remarketing period, interest (0.21% at December 31, 2015) set at prevailing market rates, due through 2050	**100.0**	100.0
Series 2005A, Series 2013A, Series 2014, and Series 2015A fixed rate debt, interest rates from 3.23% to 5.00%, due through 2045	**450.0**	384.5
Other	**14.6**	14.6
	1,573.7	1,511.6
Less current maturities of long-term debt	**(15.4)**	(15.8)
Less long-term debt subject to self-liquidity arrangements	**(534.7)**	(538.1)
	$ 1,023.6	$ 957.7

8. Long-term Debt (continued)

BJC maintains an Obligated Group structure under its Master Indenture agreement (the Master Indenture), dated as of April 4, 2006. The Obligated Group members are jointly and severally liable for all notes issued under the Master Indenture and represent those organizations that own or operate the principal healthcare facilities of BJC.

The Master Indenture permits BJC to issue Master Notes thereunder to evidence or secure additional indebtedness on behalf of the Obligated Group. The Obligated Group members are responsible for making all payments required with respect to obligations under the Master Indenture. The aggregate par amount of obligations outstanding under the Master Indenture (other than obligations that have been legally defeased and that are not considered to be outstanding) totaled $1,559.1 and $1,497.0 at December 31, 2015 and 2014, respectively. The Master Indenture imposes various covenants and conditions on BJC, including covenants related to debt service coverage, additional indebtedness, permitted liens, and the use and maintenance of facilities. Management believes BJC is in compliance with these covenants and conditions as of December 31, 2015.

At December 31, 2015 and 2014, BJC had $538.1 and $541.5, respectively, of variable rate demand bonds that are supported by self-liquidity. The variable rate demand bonds, while subject to long-term amortization periods, may be tendered to BJC at the option of bondholders subject to certain notice period requirements. If the variable rate demand bonds subject to self-liquidity are not remarketed upon the exercise of put options, management would utilize internal or external sources to provide the necessary liquidity. Such bonds, less current maturities, are included as long-term debt subject to self-liquidity in current liabilities in the consolidated balance sheets.

In March 2014, $200.0 of tax-exempt Series 2014 fixed rate bonds were issued by the Health and Educational Facilities Authority of the State of Missouri on behalf of BJC at a premium of $9.2. The proceeds of these bonds will be used to reimburse BJC for the payment of certain capital expenditures. These bonds mature in 2044.

In May 2015, $150.0 of tax-exempt Series 2015A fixed rate bonds were issued by the Health and Educational Facilities Authority of the State of Missouri on behalf of BJC. The proceeds of these bonds will be used to reimburse BJC for the payment of certain capital expenditures. These bonds mature in 2045. In 2015, the System incurred $1.2 in costs related to new issuances, which will be amortized over the life of the bonds.

(Dollars in Millions)

8. Long-term Debt (continued)

In May 2015, BJC exercised its right to call $84.5 of tax-exempt Series 2005A bonds for early redemption. A gain of $0.8 million was realized on the extinguishment of debt.

At December 31, 2015, BJC has a general operating line of credit of $300.0. This facility has a five-year term expiring August 2020. In addition, BJC has a $100.0 hybrid dedicated bank line of credit also expiring in August 2020. The hybrid facility has the dual function of supporting general operating requirements and tenders associated with the variable rate demand bonds. No amounts are outstanding under the lines of credit at December 31, 2015 or 2014.

Scheduled principal payments on long-term debt, including obligations subject to short-term remarketing as due according to their long-term amortization schedule are as follows:

	Scheduled
Year ending December 31:	
2016	$ 15.4
2017	19.5
2018	17.7
2019	14.9
2020	13.6

The amount of interest paid, net of interest capitalized, totaled $17.9 and $14.5 in 2015 and 2014, respectively.

9. Interest Rate Swaps

BJC uses interest rate swap contracts to manage interest rate risk associated with its variable rate debt obligations. BJC is a party to multiple interest rate swap contracts that effectively convert various variable rate bonds to fixed rates. Interest rate swap contracts between BJC and third parties (counterparties) provide for the periodic exchange of payments between the parties based on changes in a defined index, typically 68% of the one-month or three-month LIBOR rate, and a fixed rate. These contracts are subject to counterparty credit risk, the risk that contractual obligations of the counterparties (including BJC) will not be fulfilled. Concentrations of credit risk relate to groups of counterparties that have similar economic or industry characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

(Dollars in Millions)

9. Interest Rate Swaps (continued)

Counterparty credit risk is managed by requiring high credit standards for BJC's counterparties and, in certain cases, collateral posting requirements. The counterparties to these contracts are financial institutions that carry investment-grade credit ratings.

Certain interest rate swap contracts contain collateral provisions applicable to both parties to mitigate credit risk above a specified mark-to-market posting threshold that is based on either a fixed dollar amount or on each counterparty's credit rating.

Pursuant to the collateral posting requirements under the swap contracts, at December 31, 2015 and 2014, BJC posted $41.2 and $38.4, respectively, as collateral, which is reported as other noncurrent assets in the consolidated balance sheets. BJC does not anticipate nonperformance by its counterparties.

At December 31, 2015 and 2014, the notional amount of BJC's outstanding interest rate swap contracts is $812.7 and $817.8, respectively.

During October 2014, BJC issued an interest swap contract with PNC Bank, N.A. with a notional amount of $130.0, which will mature in 2050. The fair value of BJC's outstanding interest rate swaps at December 31 is as follows:

Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	2015	2014
Interest rate swap contracts	Other noncurrent liabilities	$ **(108.8)**	$ (104.0)

9. Interest Rate Swaps (continued)

The effects of BJC's interest rate swaps in the consolidated statements of operations and changes in net assets for the years ended December 31 are as follows:

Derivatives Not Designated as Hedging Instruments	Location of (Loss) Gain on Derivatives Recognized in Excess of Revenues Over Expenses	Amount of (Loss) Gain on Derivatives Recognized in Excess of Revenues Over Expenses 2015	2014
Interest rate swap contracts	Unrealized loss on interest rate swap contracts	$ **(4.8)**	$ (70.2)
Interest rate swap contracts	Interest rate swap settlements, net	**(17.9)**	(17.6)

10. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fair Value Measurements and Disclosures Topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

10. Fair Value Measurements (continued)

Certain of BJC's financial assets and financial liabilities are measured at fair value on a recurring basis, including money market, fixed income and equity instruments, and interest rate swap contracts. The three levels of the fair value hierarchy and a description of the valuation methodologies used for instruments measured at fair value are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date. Level 1 primarily consists of financial instruments, such as money market securities and listed equities.

Level 2 – Pricing inputs other than quoted prices included in Level 1 that are either directly observable or that can be derived or supported from observable data as of the reporting date. Instruments in this category include certain U.S. government agency and sponsored entity debt securities and interest rate swap contracts and derivatives.

Level 3 – Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are not observable from objective sources. In evaluating the significance of inputs, BJC generally classifies assets or liabilities as Level 3 when their fair value is determined using unobservable inputs that individually, or when aggregated with other unobservable inputs, represent more than 10% of the fair value of the assets or liabilities. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

(Dollars in Millions)

10. Fair Value Measurements (continued)

The fair value of financial assets and liabilities measured at fair value on a recurring basis was determined using the following inputs at December 31, 2015:

		Fair Value Measurements at Using		
	Total	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
Investments:				
Cash and short-term investments	$ 138.5	$ 138.5	$ –	$ –
Income securities:				
U.S. government and agency obligations	546.4	–	546.4	–
Corporate debt securities	843.3	–	843.3	–
Asset-backed and securitized bonds and notes	406.8	–	394.0	12.8
Equity securities	520.8	520.8	–	–
Other	3.3	–	3.3	–
Assets not at fair value:				
Hedge funds	899.2			
Private equity and credit funds	970.7			
Assets (fair value determined using NAV practical expedient):				
Fixed income – commingled funds	176.2			
Equity – commingled funds	532.7			
Accrued interest and dividends receivable	13.8			
Total investments	$ 5,051.7			
Deferred compensation agreements	$ 29.6	$ 29.6	$ –	$ –
Liabilities				
Derivatives in a liability position	$ 2.4	$ –	$ 2.4	$ –
Liability under interest rate swap contracts	108.8	–	108.8	–
	$ 111.2	$ –	$ 111.2	$ –

(Dollars in Millions)

10. Fair Value Measurements (continued)

The fair value of financial assets and liabilities measured at fair value on a recurring basis was determined using the following inputs at December 31, 2014:

		Fair Value Measurements at Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments:				
Cash and short-term investments	$ 223.2	$ 223.2	$ –	$ –
Income securities:				
U.S. government and agency obligations	411.7	–	411.7	–
Corporate debt securities	849.6	–	849.6	–
Asset-backed and securitized bonds and notes	381.3	–	371.3	10.0
Equity securities	624.0	621.6	2.4	–
Other	5.3	–	5.3	–
Assets not at fair value:				
Hedge funds	1,146.4			
Private equity and credit funds	815.2			
Assets (fair value determined using NAV practical expedient)				
Fixed income – commingled funds	249.7			
Equity – commingled funds	471.4			
Accrued interest and dividends receivable	13.5			
Total investments	$ 5,191.3			
Deferred compensation agreements	$ 27.7	$ 27.7	$ –	$ –
Liabilities				
Liability under interest rate swap contracts	$ 104.0	$ –	$ 104.0	$ –

(Dollars in Millions)

10. Fair Value Measurements (continued)

The following table is a roll forward of assets classified in Level 3 of the valuation hierarchy defined above:

	Asset-Backed and Securitized Bonds and Notes
Fair value at January 1, 2014	$ 263.3
Purchases	103.3
Settlements	(231.3)
Investment earnings	18.4
Transfers in and/or out of Level 3	(143.7)
Fair value at December 31, 2014	10.0
Purchases	**16.1**
Settlements	**(8.2)**
Investment earnings	–
Transfers in and/or out of Level 3	**(5.1)**
Fair value at December 31, 2015	**$ 12.8**

The fair values of the securities included in Level 1 were determined through quoted market prices. The fair values of Level 2 securities (primarily income securities) were determined through evaluated bid prices based on recent trading activity, and other relevant information, including market interest rate curves and referenced credit spreads, or estimated prepayment rates provided by third-party pricing services where quoted market values are not available. Any securities with fewer than two received broker quotes are categorized as Level 3 assets. The fair values for interest rate swap contracts were derived through observable market data obtained from a pricing vendor. With regards to the equity options, currency forwards, and fixed income futures derivatives, which are included in other Level 2 securities, observable market data is used to build an implied volatility figure which is input into a Black-Scholes model to determine fair value.

10. Fair Value Measurements (continued)

The fair values of the interest rate swap contracts are determined based on the present value of expected future cash flows using discount rates appropriate with the risks involved. The valuations reflect a credit spread adjustment to the LIBOR discount curve in order to reflect the credit value adjustment for nonperformance risk. The BJC credit spread adjustment is derived from other comparably rated entities' bonds priced in the market, while the counterparty credit spread adjustment is based on respective credit default swap spreads. Due to the volatility of the capital markets, there is a reasonable possibility of changes in fair value and additional gains (losses) in the near term subsequent to December 31, 2015.

Level 3 assets of $12.8 include certain asset-backed and securitized notes and bonds. These underlying securities trade less frequently than other fixed income instruments, which generate potential liquidity risk. In the event pricing cannot be obtained through quoted prices in active markets, these securities are priced using an option-adjusted discounted cash flow model.

BJC transfers assets in and/or out of Level 3 as significant inputs, including performance attributes, used for the fair value measurement become observable or unobservable. BJC transferred $5.1 and $143.7 of securitized notes and bonds from Level 3 to Level 2 in 2015 and 2014, respectively, by obtaining additional observable market inputs in the form of multiple corroborating broker quotes. BJC recognizes transfers as of the end of the reporting period. There were no transfers between Level 1 and Level 2 in 2015 or 2014.

The carrying value of cash and cash equivalents, accounts receivable, and other current assets and liabilities are reasonable estimates of their fair value due to the short-term nature of these financial instruments. The value of pledges receivable is estimated by management to approximate fair value as of the date the pledge is received. The fair value of BJC's fixed rate bonds is based on quoted market prices for the same or similar issues and approximates $473.8 and $407.7 as of December 31, 2015 and 2014, respectively, and represents a Level 2 measurement. The fair value of BJC's variable rate bonds approximates the carrying amount of $1,109.1 and $1,112.5 as of December 31, 2015 and 2014, respectively, and excludes the impact of third-party credit enhancements.

(Dollars in Millions)

11. Postretirement Benefits

BJC sponsors the BJC Defined Contribution Plan, a 401(k) defined contribution plan that covers substantially all employees. Employer contributions to this plan are based on a percentage of participating employees' contributions to a related 403(b) plan. BJC contributed $20.5 and $17.4 to this plan during 2015 and 2014, respectively, which is included in salaries and benefits in the consolidated statements of operations and changes in net assets.

BJC sponsors a defined-benefit pension plan (the Plan) covering substantially all full-time employees who have met certain age requirements and have completed one year of service. Benefits are based on years of service and employee earnings. BJC's minimum funding policy is to contribute annually amounts actuarially determined to fund the benefits of the plans. In 2015 and 2014, BJC had no minimum required pension contributions.

The following table sets forth the funded status of the Plan and accrued pension cost as of December 31 as actuarially determined:

	2015	2014
Change in projected benefit obligation		
Projected benefit obligation at beginning of year	**$ 2,353.4**	$ 1,844.8
Service cost	**109.6**	85.9
Interest cost	**102.5**	94.7
Actuarial (gain) loss	**(154.1)**	373.0
Benefits paid	**(52.7)**	(45.0)
Projected benefit obligation at end of year	**2,358.7**	2,353.4
Change in plan assets		
Fair value of plan assets at beginning of year	**1,742.8**	1,595.2
Actual (loss) earnings on plan assets	**(25.0)**	83.5
Employer contributions	**125.3**	109.1
Benefits paid	**(52.7)**	(45.0)
Fair value of plan assets at end of year	**1,790.4**	1,742.8
Unfunded status	**$ (568.3)**	$ (610.6)
Accumulated benefit obligation at end of year	**$ 2,091.3**	$ 2,061.6
Unfunded status (based on accumulated benefit obligation)	**$ (300.9)**	$ (318.8)

(Dollars in Millions)

11. Postretirement Benefits (continued)

The unfunded status is included in pension/postretirement liabilities in the consolidated balance sheets. BJC has other postretirement plans with unfunded benefit obligations of $4.2 and $4.6 at December 31, 2015 and 2014, respectively.

Included in unrestricted net assets at December 31 are the following amounts that have not yet been recognized in net periodic pension cost:

	2015	2014
Unrecognized actuarial losses	$ **680.9**	$ 723.2
Unrecognized prior service cost	**0.3**	0.3
	$ **681.2**	$ 723.5

Changes in plan assets and benefit obligations recognized in unrestricted net assets for the year ended December 31 are as follows:

	2015	2014
Unrecognized actuarial gains (losses)	$ **8.5**	$ 411.2
Amortization of actuarial losses	**(50.8)**	(17.1)
Amortization of prior service cost	**–**	(0.2)
	$ **(42.3)**	$ 393.9

The pension and other postretirement liability adjustment of $(42.3) for the year ended December 31, 2015, on the consolidated statements of operations and changes in net assets includes $0.1 related to the other postretirement plans.

The prior service cost and actuarial loss included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ending December 31, 2016, total $0.1 and $32.7, respectively. The impact of the change in discount rate on the projected benefit obligation of the Plan was an increase of approximately $147.2 at December 31, 2015. Additionally, BJC adopted the new RP-2014 mortality tables set forth by the Society of Actuaries during 2014, which represents the first update of mortality table data since 2000.

(Dollars in Millions)

11. Postretirement Benefits (continued)

The updated tables reflect a pattern of increases in life expectancies compared with existing tables, resulting in greater benefit costs, obligations and contributions for plan sponsors. The adoption of the new mortality tables increased the projected benefit obligation at December 31, 2014 by approximately $167.7.

No plan assets are expected to be returned to BJC during the year ending December 31, 2016.

	2015	2014
Weighted-average assumptions used to determine benefit obligations for the year ended December 31		
Discount rate	**4.78%**	4.40%
Rate of increase in compensation levels	**3.50**	3.50
Weighted-average assumptions used to determine expense for the year ended December 31		
Discount rate	**4.40%**	5.25%
Rate of compensation increases	**3.50**	4.00
Expected long-term rate of return	**7.75**	7.75

As of December 31, 2015, BJC refined how it estimates the interest and service cost components of net periodic benefit costs to a spot discount rate approach for its defined benefit pension plan. Historically, BJC estimated the service and interest cost components using a single weighted-average discount rate derived from a yield curve used to measure the benefit obligation at the beginning of the period. Under the spot discount rate approach, service and interest cost is estimated by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. BJC made this change to improve the correlation between projected benefit cash flows and the corresponding yield curve spot rates and to provide a more precise measurement of service and interest costs. This change did not impact the projected benefit obligation or the net periodic benefit costs as of and for the year ended December 31, 2015. BJC accounted for this change as a change in accounting estimate and, accordingly, will account for it prospectively starting with the year ended December 31, 2016. This change is expected to reduce the net periodic benefit costs for the year ending December 31, 2016 by approximately $14.7. This change does not affect measurements of the projected benefit obligation.

(Dollars in Millions)

11. Postretirement Benefits (continued)

BJC determines the long-term rate of return for plan assets in consultation with its external investment advisor. BJC reviews historical market performance by investment asset class along with current economic outlooks for asset class performance in order to estimate its long-term rate of return assumption. Peer data and historical returns are reviewed to check for reasonableness of BJC's long-term rate of return assumption.

	2015	2014
Components of net periodic benefit cost:		
Service cost	$ **109.6**	$ 85.9
Interest cost	**102.5**	94.7
Expected earnings on plan assets	**(137.7)**	(121.8)
Amortization of prior service cost	**–**	0.2
Recognized net actuarial loss	**50.8**	17.1
Net periodic benefit cost	$ **125.2**	$ 76.1

BJC's goal is to maintain parity between the duration of assets and liabilities to meet the anticipated growth of plan liabilities. The plan's assets are invested in a portfolio designed to preserve principal and obtain competitive investment earnings and long-term investment growth, consistent with actuarial assumptions, with a reasonable and prudent level of risk. Diversification is achieved by allocating funds to various asset classes and investment styles and by retaining multiple investment managers with complementary philosophies, styles and approaches. Derivatives may be used to gain market exposure in an efficient and timely manner; however, derivatives may not be used to leverage the portfolio beyond the market value of the underlying investments. Plan assets may also be loaned to established brokerage firms in return for securities collateral. At December 31, 2015 and 2014, plan assets on loan included in the fair value of plan assets totaled $8.8 and $7.8, respectively. At December 31, 2015 and 2014, the fair values of accepted collateral related to securities on loan totaled $9.2 and $8.1, respectively.

(Dollars in Millions)

11. Postretirement Benefits (continued)

BJC's defined benefit pension plan asset allocation by asset category is as follows:

Asset Category	Target Asset Allocation	Plan Assets at December 31 2015	2014
Cash	–%	**0.2%**	3.1%
Growth	50.0	**49.6**	55.1
Income	25.0	**23.5**	22.8
Illiquid	25.0	**26.7**	19.0
Total	100.0%	**100.0%**	100.0%

The growth asset category consists of public equities and hedge funds. The income category is made up of fixed income funds and securities. Lastly, the illiquid asset category includes limited partnership investments in private equity funds, private credit funds and illiquid real asset funds.

(Dollars in Millions)

11. Postretirement Benefits (continued)

The fair value of pension plan assets was determined using the following inputs at December 31, 2015:

		Fair Value Measurements at Using		
	Total	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
Cash and short-term investments	$ 50.1	$ 50.1	$ –	$ –
Income securities:				
U.S. government and agency obligations	47.1	–	47.1	–
Corporate debt securities	321.8	–	321.8	–
Asset-backed and securitized bonds and notes	71.3	–	71.3	–
Equity securities	319.1	319.1	–	–
Other	2.2	2.2	–	–
Assets (fair value determined using NAV practical expedient):				
Hedge funds	260.2			
Private equity and credit funds	467.9			
Equity – commingled funds	252.1			
	$ 1,791.8			
Liabilities				
Derivatives in a liability position	$ 1.3	$ –	$ 1.3	$ –
Fair value of Plan Assets	$ 1,790.5			

(Dollars in Millions)

11. Postretirement Benefits (continued)

The fair value of pension plan assets was determined using the following inputs at December 31, 2014:

		Fair Value Measurements at Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash and short-term investments	$ 75.3	$ 75.3	$ –	$ –
Income securities:				
U.S. government and agency obligations	57.7	–	57.7	–
Corporate debt securities	296.9	–	296.9	–
Asset-backed and securitized bonds and notes	74.6	–	64.7	9.9
Equity securities	402.6	401.1	1.5	–
Other	9.2	5.2	4.0	–
Assets (fair value determined using NAV practical expedient):				
Hedge funds	333.3			
Private equity and credit funds	330.1			
Equity – commingled funds	163.1			
Fair value of Plan Assets	$ 1,742.8			

(Dollars in Millions)

11. Postretirement Benefits (continued)

The following table is a roll forward of the pension plan assets classified in Level 3 of the valuation hierarchy defined above:

	Asset-Backed and Securitized Bonds and Notes
Fair value at January 1 , 2014	$ 102.3
Purchases, sales and settlements, net	(64.7)
Actual earnings on plan assets	8.2
Transfers in and/or out of Level 3	(35.9)
Fair value at December 31, 2014	9.9
Purchases, sales and settlements, net	**(6.7)**
Actual earnings on plan assets	**0.1**
Transfers in and/or out of Level 3	**(3.3)**
Fair value at December 31, 2015	**$ –**

Fair value methodologies for Level 1 and Level 2 assets are consistent with the inputs described in Note 10. BJC transfers assets in and/or out of Level 3 as significant inputs, including performance attributes, used for the fair value measurement become observable or unobservable. BJC transferred $3.3 and $35.9 of securitized notes and bonds from Level 3 to Level 2 in 2015 and 2014, respectively, by obtaining additional observable market inputs in the form of multiple corroborating broker quotes. BJC recognizes transfers as of the end of the reporting period.

Private equity and credit investments have contractual commitments to provide capital contributions during the investment period, up to seven years from initial investment date, and restrictions on the timing of withdrawals, up to 11 years from initial investment date, which may reduce liquidity. Certain hedge fund investments also have restrictions on the timing of withdrawals, up to two years from initial investment date, which may reduce liquidity. These investments represent the Plan's ownership interest in the net asset value (NAV) of the respective partnership.

(Dollars in Millions)

11. Postretirement Benefits (continued)

Management opted to use the NAV per share, or its equivalent, as a practical expedient for fair value of the Plan's interest in hedge funds, private equity and credit funds and commingled funds. Valuations provided by the respective fund's management consider variables, such as the financial performance of underlying investments, recent sales prices of underlying investments, and other pertinent information. At December 31, 2015, the Plan has unfunded commitments of $539.8 to private equity and credit funds. Due to the uncertainty surrounding whether the contractual commitments will require funding during the contractual period, future minimum payments to meet these commitments cannot be reasonably estimated. These committed amounts are expected to be primarily satisfied by the liquidation of existing investments from the Plan's assets.

A summary of expected cash flows for contributions and amounts to be paid to the Plan's participants and beneficiaries is as follows:

Expected employer contribution in 2016	**$**	**90.3**
Expected benefit payments:		
2016		**64.5**
2017		**73.1**
2018		**81.4**
2019		**91.0**
2020		**100.6**
2021–2025		**663.8**

(Dollars in Millions)

12. Professional and General Liability Insurance

BJC self-insures for professional and general liability claims to the extent of certain self-insured limits. Substantially all BJC services are covered under the self-insurance program. Effective November 15, 2006, self-insured retentions were between \$5.0 and \$8.0 per occurrence with no aggregate. BJC purchased a claims-made policy providing \$2.0 in coverage effectively reducing the self-insured retention for professional liability to \$3.0 from November 15, 2006, to the present for its hospitals, excluding Barnes-Jewish and Children's, which have a self-insured retention of \$8.0. This claims-made policy was renewed through November 2016. In addition, various umbrella insurance policies have been purchased to provide coverage in excess of self-insured limits. The estimated cost of claims is actuarially determined based upon past experience, and discounted using a discount rate of 3.25% in 2015 and 3.0% in 2014. The reserve includes provisions for asserted and unasserted claims and incidents that have occurred but have not been reported. BJC has a revocable self-insurance trust of \$68.7 and \$72.7 as of December 31, 2015 and 2014, respectively, which is used for the payment of professional and general liability claim settlements and expenses. During 2015 and 2014, \$30.0 and \$20.8, respectively, of professional and general liability expenses were included in supplies and other in the consolidated statements of operations and changes in net assets. In addition, at December 31, 2015 and 2014, BJC recorded net insurance receivables of \$11.3 and \$12.5, respectively, included in other noncurrent assets in the consolidated balance sheets.

13. Operating Leases

Lease expense for the years ended December 31, 2015 and 2014, totaled \$70.0 and \$69.1, respectively.

Future minimum lease payments under noncancelable operating leases with terms of one year or more are as follows:

Year ending December 31:		
2016	**$**	**33.3**
2017		**29.2**
2018		**27.4**
2019		**25.9**
2020		**25.1**
Thereafter		**167.5**
	$	**308.4**

(Dollars in Millions)

14. Contingencies

The U.S. Department of Justice and other federal agencies are increasing resources dedicated to regulatory investigations and compliance audits of healthcare providers. BJC is not exempt from these regulatory efforts and has received correspondence from federal agencies with regard to such initiatives. In consultation with legal counsel, management estimates these matters will be resolved without material adverse effect on BJC's consolidated financial position or consolidated results of operations. BJC has an established formal corporate compliance function designed to monitor compliance with applicable laws and regulations.

BJC is involved as both plaintiff and defendant in litigation arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters will be resolved without a material adverse effect on BJC's consolidated financial position, operating results or cash flows.

In October 2013, a petition was filed against BJC in the Circuit Court of the City of St. Louis, Missouri, alleging violations of wage and hour laws, breach of contract and unjust enrichment claims. The suit seeks to certify a class of former and current non-exempt (hourly) employees. The parties have exchanged written discovery. At this time, there have been no rulings and no class has been certified. Management believes it has substantial defenses and intends to contest the allegations of the Petition, but at this stage cannot predict the potential outcome of the case.

15. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31:

	2015	2014
Healthcare services:		
Research and education	**$ 102.4**	$ 102.2
Special programs	**83.5**	78.8
Patient care	**33.2**	33.8
Operations	**24.7**	26.4
Property and equipment	**2.9**	3.7
	$ 246.7	$ 244.9

(Dollars in Millions)

15. Temporarily and Permanently Restricted Net Assets (continued)

Permanently restricted net assets at December 31 are summarized below, the income from which is expendable to support the following:

	2015	2014
Healthcare services:		
Special programs	$ **78.4**	$ 78.5
Operations	**43.7**	44.6
Research and education	**44.5**	44.4
Patient care	**23.6**	25.5
	$ **190.2**	$ 193.0

16. Endowments

The Foundations' endowments consist of funds established for a variety of purposes. The Foundations' endowments include both donor-restricted endowment funds and funds designated by the Foundations' Boards of Directors to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions in accordance with U.S. GAAP.

The Foundations have interpreted Missouri's enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (the Missouri Statute) as requiring the preservation of the fair value of the original gift as of the gift date of a donor-restricted endowment fund, absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundations classify as permanently restricted net assets: (a) the original value of gifts donated to a permanent endowment, (b) the original value of subsequent gifts to a permanent endowment and (c) accumulations to a permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the permanent endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundations in a manner consistent with the standards prescribed by the Missouri Statute.

(Dollars in Millions)

16. Endowments (continued)

In accordance with the Missouri Statute, when investing, reinvesting, purchasing, acquiring, exchanging, selling, managing property, appropriating appreciation, developing and applying investment and spending policies and accumulating income, the Board of Directors of each affiliated foundation shall act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims to accomplish the purposes of the institution receiving the benefit of the institutional endowment fund.

In exercising such judgment, the Foundations' Boards of Directors shall consider the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

At December 31, 2015, the endowment net asset composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ –	$ 102.0	$ 145.2	$ 247.1
Board-designated endowment funds	130.5	–	–	130.5
Total funds	$ 130.5	$ 102.0	$ 145.2	$ 377.6

(Dollars in Millions)

16. Endowments (continued)

At December 31, 2014, the endowment net asset composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ –	$ 110.7	$ 144.4	$ 255.1
Board-designated endowment funds	132.9	–	–	132.9
Total funds	$ 132.9	$ 110.7	$ 144.4	$ 388.0

For the years ended December 31, 2015 and 2014, the changes in the endowment net assets are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2014	$ 128.4	$ 108.2	$ 143.4	$ 380.0
Investment return:				
Investment income	1.7	2.8	–	4.5
Net appreciation	4.0	7.3	0.2	11.5
Total investment return	5.7	10.1	0.2	16.0
Contributions	–	–	0.9	0.9
Appropriations, net of recoveries	(4.3)	(7.6)	–	(11.9)
Other changes	3.1	–	(0.1)	3.0
Endowment net assets, December 31, 2014	132.9	110.7	144.4	388.0
Investment return:	–	–	–	–
Investment income	**1.5**	**2.3**	–	**3.8**
Net appreciation	**(2.9)**	**(4.8)**	–	**(7.7)**
Total investment return	**(1.4)**	**(2.5)**	–	**(3.9)**
Contributions	**–**	**–**	**0.8**	**0.9**
Appropriations, net of recoveries	**(4.6)**	**(6.2)**	–	**(10.8)**
Other changes	**3.6**	–	**(0.1)**	**3.5**
Endowment net assets, December 31, 2015	**$ 130.5**	**$ 102.0**	**$ 145.1**	**$ 377.6**

16. Endowments (continued)

Return Objectives and Risk Parameters

The Foundations have adopted investment and spending policies for endowment assets that attempt to provide a stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the Foundations' Boards of Directors, the endowment net assets are invested in a manner that is intended to produce results that exceed the price and yield results of their relevant benchmarks while assuming a reasonable level of investment risk. The Foundations expect its endowment funds, over time, to generate a total annualized rate of return, net of fees, 5% greater than the rate of inflation, as measured by the Consumer Price Index (CPI), over a rolling five-year period. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy their long-term rate-of-return objectives, the Foundations rely on a total return strategy in which investment earnings are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends, net of fees).

Spending Policy

The Foundations have adopted a policy in which earnings are allocated annually for spending ranging from 4% to 5% of the 36-month rolling average market value of the endowment fund investment pool.

In establishing this policy, the Foundations consider the long-term expected return on the endowment whereby the current policy allows the endowment assets to grow at an average of CPI annually and to provide additional annual support for endowment administration of 1%.

17. Subsequent Events

BJC evaluated events and transactions occurring subsequent to December 31, 2015 through February 23, 2016, the date the consolidated financial statements were issued. During this period, there were no subsequent events that required recognition or disclosure in the consolidated financial statements, except as follows.

On January 1, 2016, BJC finalized a strategic affiliation agreement with Memorial Group, Inc. (MGI) of Belleville, IL. Under the Agreement, both BJC and MGI became members of Memorial Regional Health Services (MRHS), a newly formed Illinois not-for-profit corporation. On January 1, 2016, MRHS replaced MGI as the sole member of MGI's affiliated not-for-profit corporations, including Protestant Memorial Medical Center, Inc., Metro-East Services, Inc., Memorial Foundation, Inc., and various other affiliated entities. The purpose of this transaction is to provide BJC and its affiliates with greater presence in the St Louis metro area Illinois market, and promote better care and access to patients in that market. Additionally, the transaction will provide MGI with access to both capital and BJC's physician specialty services.

Although BJC and MGI each hold 50% of the membership interests, under the Agreement, as defined, BJC effectively controls MRHS and will consolidate the net assets, operations and cash flows of MRHS effective January 1, 2016. No cash or other consideration was transferred, with the exception of BJC's guarantee of MRHS's outstanding conduit borrowings. After five years and upon achievement of certain conditions as outlined in the Agreement, BJC may unilaterally exercise its rights to obtain sole corporate membership of MRHS. BJC committed to certain capital funding to MRHS for equipment and construction, expansion and improvement to its facilities over a specified period.

The acquisition may result in contribution income in 2016 based on the fair value of the net assets acquired. As of the date the consolidated financial statements were issued, BJC had not yet obtained a valuation of the net assets acquired and the initial accounting for the acquisition is incomplete.

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Table Of Contents

ATTACHMENT 37

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BJC HealthCare, Missouri; System

Credit Profile		
US$150.0 mil fixed rate ser 2015A due 12/31/2050		
Long Term Rating	AA/Stable	New
Missouri Hlth & Educl Facs Auth, Missouri		
BJC HealthCare, Missouri		
Series 2005A and 2014		
Long Term Rating	AA/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AA' long-term rating to BJC HealthCare (BJC), Mo.'s $150 million series 2015 taxable fixed-rate revenue bonds. In addition, Standard & Poor's affirmed its 'AA' long-term rating on the Missouri Health and Educational Facilities Authority's $284.5 million series 2005A and 2014 fixed-rate revenue bonds and $100.0 million series 2013B variable-rate term bonds. Finally, Standard & Poor's affirmed its 'AA/A-1+' rating on the authority's $441.5 million series 2005B, 20008A, 2008B, 2008C, 2008D, and 2008E variable-rate demand bonds (VRDBs) and $100.0 million series 2013C windows VRDBs. All bonds were issued for BJC. The outlook is stable.

The 'A-1+' short-term component of the ratings on the above VRDBs is based on our view of BJC's self-liquidity, as the bonds could require available funds from BJC. Except for the series 2013C windows VRDBs, which would require available funds from BJC within a seven-month period should an optional tender occur, the VRDBs would require available funds from BJC within a week because those bonds are in weekly mode. (For more information on the windows mode, please see our report published Oct. 22, 2013 on RatingsDirect.)

The 'AA' long-term rating reflects our view of BJC's stable and leading market share in the greater St. Louis market coupled with a historically strong and consistent financial profile. BJC has continued to build on its balance sheet strength to absorb the upcoming series 2015 debt, and a focus on operating initiatives to help generate strong cash flow should maintain good coverage. The rating also reflects our view of BJC's stable and well-seasoned management team, which continues to focus the organization strategically and operationally to weather pressures, including those related to changes resulting from health care reform. Although we note some operating pressure from softer volumes related to industry changes and pressures, as well as overall strong cash flow and coverage that is more dependent on non-operating income, the BJC management team moved quickly to enact significant operating initiatives (including both the revenue and expense sides) to ensure that the system generated enough cash flow for all its initiatives. As a result, fiscal 2014 results, even excluding some one-time items, showed improvement over fiscal 2013 results. Management continues to focus on these operating initiatives to maintain strong cash flow, which will be important as BJC moves into a more capital-intensive period for the next several years.

Standard & Poor's Fund Ratings and Evaluation group has determined that BJC has adequate types and levels of liquidity to manage the full and timely purchase price of all of its rated VRDBs. As of Jan. 31, 2015, BJC had identified more than $1.8 billion of discounted investments (discounted by our Fund Ratings and Evaluation group) to guarantee the full and timely purchase price of its $541.5 million VRDBs, for which it has also arranged to provide self-liquidity. With a portion of the self-liquidity-backed debt in windows mode ($100 million of series 2013C), risk decreases somewhat, as the windows instrument provides seven months' lead time for required funds as a result of a tender (compared with a weekly mode, which must be funded within seven days). The pool of fixed-income assets backing these VRDBs consists of cash, money market funds, BJC's dedicated line, treasury, and agency securities, and other investment-grade fixed-income securities that are managed to provide competitive total returns. Our Fund Ratings and Evaluation group will continue to monitor the credit quality, liquidity, and sufficiency of the available assets on a monthly basis.

The 'AA' long-term rating further reflects our view of BJC's:

- Status as a well-established, multihospital regional system with stable system membership, a long track record of system integration, good leverage with third-party payors, and good financial risk dispersion;
- Leading, though not dominant, market share in the greater St. Louis market, bolstered by broad regional and national draws at its large academic facilities (Barnes-Jewish Hospital and St. Louis Children's Hospital) owing to a reputation for clinical excellence, as well as by a longtime academic relationship with the highly respected Washington University School of Medicine (WUSM), which is one of the top recipients of federal research funding;
- Strong balance sheet profile, characterized by solid unrestricted reserves (416 days' cash on hand) and still-modest pro forma debt (pro forma leverage of 25% debt to capitalization and pro forma unrestricted reserves to pro forma long-term debt of 260% at Dec. 31, 2014);
- Improved operating margins in fiscal 2014 after a softer fiscal 2013 resulting in robust pro forma maximum annual debt service (MADS) coverage (8.8x as of Dec. 31, 2014), which has benefited from strong non-operating income in recent years; and
- Capable management team that is responsible for the system's historical strong financial performance and ongoing strong business position, as well as a strong governance structure that makes system members highly unlikely to disaffiliate.

Partly offsetting the above strengths, in our view, is BJC's:

- Location in a competitive service area with multiple competing health systems coupled with moderating volumes in recent years;
- Increased capital spending during the next few years, primarily at the academic facilities and for a conversion to the Epic information technology (IT) system; and
- Somewhat aggressive debt structure related to increased contingent liability risk although we also recognize that interest expense is reduced, that the mandatory tender dates are out six or more years, and that the contingent liability is manageable given BJC's healthy unrestricted reserves.

BJC's total pro forma long-term debt, including the series 2015 net new money debt, is about $1.6 billion (up from $1.5 billion as of Dec. 31, 2014). The series 2015 bonds are taxable and have a final bullet payment in 2045. Principal for that bullet payment has not been amortized for debt service calculations and is excluded from the MADS calculation. VRDBs account for $541 million (33% of the total pro forma debt), and direct purchase debt (both variable rate and fixed rate) accounts for $671 million (40% of total pro forma debt). Combined, the contingent liabilities (VRDBs and direct purchase) account for almost 75% of total pro forma debt outstanding. Variable-rate debt is about $1.1 billion, or about 70% of total pro forma debt. Including BJC's swap program, however, total net variable-rate debt is less than

20% of total pro forma debt.

BJC's bonds are an unsecured obligation of the obligated group, which includes almost all of BJC's entities. This analysis reflects the system as a whole.

Outlook

The stable outlook reflects our view of BJC's good debt service coverage (DSC), solid balance sheet, and leading position in the greater St. Louis metropolitan statistical area (MSA). The stable outlook also incorporates our view of management's operating initiatives, which led to improved 2014 operating margins and which should continue to support operations and cash flow during the next few years while BJC spends more on capital including IT. We also anticipate that BJC will manage capital spending appropriately to maintain its strong balance sheet. Although we believe that BJC is well positioned, both financially and strategically, to weather this slight downturn, prolonged softness in operations or cash flow could become a rating risk.

Downside scenario

Although we believe BJC has some flexibility given its strong unrestricted reserves and robust DSC, BJC is entering a more heightened capital spending period. Therefore, cash flow that is off budgeted targets or negatively affects the balance sheet (as a result of capital spending) could result in rating pressure.

Upside scenario

We are unlikely to raise the rating given some of the initial signs of increasing industry pressures that have affected underlying margins in recent years, coupled with increased capital spending during the next several years, the already high rating on BJC, and the competitive service area.

Enterprise Profile

BJC owns or operates 11 inpatient acute care hospitals in the St. Louis metropolitan region, eastern and central Missouri, and southern Illinois that had a combined 136,911 admissions in fiscal 2014 (down for a couple of years although the decline of 2.4% in fiscal 2014 was lower than the prior year's 4.5% decline). Other key related businesses include two long-term care facilities, a retirement community, home care services, various primary care physician practice sites, and the growing BJC Medical Group, which employs more than 300 physicians. The BJC Medical Group physicians mostly serve the hospitals outside of those academic hospitals affiliated with Washington University. The 1,315-licensed-bed Barnes-Jewish Hospital (the system's flagship adult facility), the 264-licensed-bed St. Louis Children's Hospital (BJC's pediatric facility), and 113-licensed-bed Barnes-Jewish West County Hospital (one of BJC's community hospitals) maintain an affiliation agreement with WUSM, part of Washington University. WUSM physicians are eligible for appointment to the medical staffs of those hospitals, and in recent years some members of the faculty have attained admitting privileges at a few of the other BJC hospitals. Through a predetermined formula, WUSM shares in the profits that the three hospitals generate, and BJC records the amount as an operating expense. Pursuant to the agreement, BJC expensed $102.3 million in 2014. Additional foundation expenses to WUSM can be incurred depending on operating performance at the three facilities. BJC's affiliation agreement with WUSM was recently updated and extends through 2023. In addition to the amounts designated above as part of the affiliation agreement, BJC paid a net $106.2 million to WUSM for purchased services and leased facilities.

The St. Louis MSA is very competitive and relatively consolidated with very modest population growth. The general economy has held up moderately well and the region's unemployment rate is about equal to the national average. BJC's defined primary service area consists of the City of St. Louis, six counties in Missouri, and five counties in Illinois, with a total population base of 2.7 million. BJC's patient draw reflects its strong regional and national reputation: It derives just two-thirds of its admissions from the very broad primary service area.

BJC is the clear market share leader in St. Louis, with 34.3% (2014), followed by SSM Health Care, with 21.0%, and Mercy Health, with 14.8%. A large single-site hospital, St. Anthony's Medical Center, holds a 7% market share. The for-profit Tenet Healthcare Corp. has a 5.9% market share. A number of independent hospitals divide the remaining market share. The payor mix is generally stable and is moderately constrained with only around 50% of net payments coming from governmental payors. BJC has a multiyear contract with Anthem/WellPoint, BJC's largest plan. In addition, and in the manner of many other providers across the country, BJC has begun to incorporate pay-for-performance metrics into its contracts. These have mostly upside potential, but a few contracts have started to develop some downside risk. BJC is also participating (as of July 1, 2012) in a Medicare accountable care organization through the shared savings plan (with both employed and independent physicians) covering almost 41,000 lives.

Volumes

As with many other hospitals and health care systems throughout the nation and the St. Louis market, BJC's inpatient admissions volumes continued to decline in 2014, albeit at a lower rate than in 2013. Patient days were slightly up, reflecting the acuity of services provided at BJC's academic facilities. Outpatient surgeries and emergency room visits declined, but there were increases in other outpatient areas (e.g., radiation oncology and CT scans). Although management has focused on leakage of volume and on opportunities for certain volume growth, particularly at the academic campuses, it anticipates that the overall softer volume trend could continue to some extent.

Table 1

BJC HealthCare Utilization

	--Fiscal year ended Dec. 31--		
	2014	**2013**	**2012**
Inpatient admissions*	136,911	140,274	146,931
Equivalent inpatient admissions	N.A.	N.A.	N.A.
Emergency visits	463,033	481,300	490,945
Inpatient surgeries	42,775	43,247	44,208
Outpatient surgeries	67,800	67,988	66,201
Medicare case mix index	1.7300	1.6800	N.A.
FTE employees	23,406	23,690	21,301
Active physicians	6,254	6,201	N.A.
Top 10 physicians admissions %	N/A	N/A	N/A

*Excludes newborns, psychiatric, and rehabiliation admissions. N.A.--Not available. N/A--Not applicable.

Management

A 17-member board, which has all the key powers necessary to control the system entities, governs the system. BJC's senior management has been quite stable overall, which we view favorably, and has made changes in recent years to better position the organization for changes in health care delivery and reimbursement. One group president now coordinates all of the St. Louis metro area hospitals to manage changes related to health care reform and better coordinate across the organization. The CEO and president, Steven Lipstein, has been with the organization since 1999 and continues to bring outside experience and knowledge to BJC from such regional and national appointments as his prior chairmanship of the St. Louis Federal Reserve Bank and his vice chairmanship of the Patient Centered Outcomes Research Institute (established under the Patient Protection and Affordable Care Act). Kevin Roberts is the chief financial officer and has been with the organization since 2008. Overall, the management is a very strong group that generally meets or exceeds annual budgets, does comprehensive strategic and capital planning for the organization, and makes appropriate operating and capital investments. In addition, the system's continued strong affiliation with WUSM and its stable structure are a testament to the current administration's and board's abilities to manage the overall system. BJC is part of the BJC Collaborative, a Missouri/Illinois six-system organization whose purpose is to learn best practices across various areas, including expense management, quality of care, and population health. To date, the collaborative has been functioning as anticipated and there are no plans to merge the organizations.

Financial Profile

Income statement

After some operating margin compression in 2013 (primarily as a result of declining volumes, federal sequestration, Medicaid cuts, and continued charity care and bad debt expense), BJC implemented a significant operating improvement plan to take place over fiscal years 2014, 2015, and 2016 to ensure continued strong cash flow to fund system operating and capital investments. Although operating cash flow margins improved in 2014, BJC's strong debt service coverage as well as funding of capital spending and operating investments relies on both operating performance and investment income. BJC maintains adequate financial dispersion among its hospitals, but this has attenuated slightly with some of the economic challenges in the surrounding communities and more persistent financial operating pressures at some community hospitals, coupled with increased reliance on the academic hospitals.

As indicated above, the operating improvement plan began to bear results as indicated by the very good 2014 operating performance (and despite some volume pressures). On a net patient revenue base of $3.9 billion, operating income improved to $232.5 million (5.7% margin) in fiscal 2014 compared with the budgeted amount and $146.0 million (or 3.7% margin) in fiscal 2013 primarily as a result of better results from expense initiatives in the supply chain area and labor productivity. Given the results from the operating initiatives and continued strengthening and outreach for key tertiary programs, we believe that BJC should be able to achieve its budgeted 4.5% operating margin and roughly 12.0% operating cash flow margin.

Continued strong investment income (along with very good operating income) further supported excess income, which measured a very healthy $391.6 million (9.2% margin) in fiscal 2014, stable compared with the prior-year result. (Excess income excludes unrealized gains on investments and unrealized changes in the value of derivatives.) Solid cash flow thus contributed to good pro forma MADS coverage of 8.8x in 2014 and 7.8x in 2013. As mentioned above,

ATTACHMENT 37

we have excluded the $150 million bullet payment from the coverage calculation. Operating-lease-adjusted coverage remained adequate at 5.3x in 2014 and 4.6x in fiscal 2013. The pro forma debt burden remains under medians at 1.9%.

Balance sheet

Given BJC's good cash flow, positive returns and gains from the investment market, and use of bond proceeds to help support capital spending, the balance sheet has continued to strengthen, thus allowing BJC to absorb the 2014 new money debt. Through Dec. 31, 2014, overall unrestricted reserves increased 14% to $4.1 billion, or a strong 416 days' cash on hand. In addition, the series 2015 is a taxable issuance, so unrestricted reserves will further strengthen after issuance given the lack of a project fund. At December 2014, unrestricted reserves were equal to 260% pro forma long-term debt with pro forma leverage at 25%. Management plans to maintain the leverage ratio at around 25%, with additional debt issuances possible if and when leverage falls to less than 25%. BJC's primary pension funding declined to 75% on a projected benefit obligation basis as of Dec. 31, 2014 primarily as a result of declines in the discount rate and change in mortality table assumptions; the pension funding decline will lead to slightly higher pension expenses in 2015.

Pro forma unrestricted reserves to puttable debt remains a strong 750%. The self-liquidity analysis shows more conservative unrestricted reserves to puttable debt because of our Fund Rating and Evaluation Group's use of only liquid assets (some of which are further discounted). In addition, BJC has $883.5 million at various affiliated foundations that are consolidated onto its balance sheet, some of which is unrestricted but excluded from unrestricted reserve calculations. BJC also recently changed its lines-of-credit agreement. BJC now maintains $100 million of a dedicated line of credit for managing any tenders on the VRDBs as well as $300 million credit agreements for both operations and its self-liquidity program. Because the $100 million line is a dedicated line, we have included it in our self-liquidity analysis. (However, the $300 million revolving credit agreement has been excluded from our self-liquidity analysis but does create a short-term cushion, if needed.)

BJC's investment strategy is to maintain at least 100 days' cash on hand in liquid, fixed-income-type investments (which totaled about $1 billion as of Dec. 31, 2014) and invest the rest (the long-term fund) in a more aggressive mix of about 37% equities, 28% fixed income, and 35% alternative assets, such as private equity, hedge funds, and real assets. It had additional unfunded commitments of more than $900 million for private equity and real asset funds as of Dec. 31, 2014, up significantly from the prior-year result, but management doesn't anticipating calling on all those funds.

BJC spent a slightly lower $316.4 million on capital, or a little more than 100% (closer to 120% after excluding the one-time hospital impairment charge) of annual depreciation expense and less than its $356.0 million budgeted amount, in 2014 compared with $333.0 million in 2013 and $317.0 million in 2012. BJC plans to increase its capital spending to more than its normal rate of about 9% of total revenue for the next few years as a result of the completion of Phase I at the academic center campus in downtown St. Louis along with a significant Epic IT conversion and implementation. Thus, it has budgeted capital spending at a higher $475 million in 2015. We anticipate capital spending at or around those levels in fiscal 2016 and possibly fiscal 2017 given the timing of the projects. Management is reviewing its overall capital plans and maintains some flexibility in its capital program should cash flow weaken. However, the market is competitive, and any prolonged delays in capital spending for key projects could affect BJC's business position.

Contingent liabilities

During the past few years, BJC has increased its exposure to contingent liabilities while keeping its exposure to puttable debt relatively consistent. However, we also note that BJC's contingent liability covenants are very similar to covenants in the master trust indenture.

BJC's contingent liabilities are:

- $817.8 million notional amount of swaps outstanding
- $541 million of VRDBs (all backed by self-liquidity)
- $200 million of direct placement debt instruments (2011A and 2011B) split evenly between U.S. Bank and Northern Trust, and with a mandatory tender in December 2021
- $271 million of direct placement debt instruments (series 2012A, 2012B, 2012C, 2012D, and 2012E with various banks), with a mandatory tender in October 2022 and with the banks being Union Bank, with $100 million (series 2012A and 2012E); Clayton Holdings LLC (part of Commerce Bank), with $75 million; PNC, with $50 million; and JP Morgan Chase, with $46 million
- $100 million of direct placement debt instrument (series 2013A) with Union Bank, and a mandatory tender in September 2028
- $100 million of direct placement debt instruments (Series 2013B) with RBC, mandatory tender in October 2023

With all of the direct placement bonds mentioned above, at the time of the mandatory tenders, BJC could refinance, do a mode conversion, extend the current agreement, or redeem the bonds.

Although many of the covenants outlined in the direct placement continuing covenant agreements allow for a 30-day cure period before an event of default occurs, several violations could result in immediate acceleration of debt payment by BJC to the banks. These include, but are not limited to, DSC of less than 1.1x for two successive years, inspection rights, termination of the pension plan when the unfunded status is greater than $25 million, and a lowering of the rating to less than 'BBB-'. We consider these risks small given BJC's strong management practices, overall sound financial profile, and around $3 billion in funds with daily and weekly liquidity.

With respect to BJC's swap portfolio, BJC is party to eight individual floating- to fixed-rate swaps on a notional amount of $817.8 million. With a mark-to-market liability of $104.0 million at Dec. 31, 2014. BJC had approximately $38.3 million of collateral posted as of that date.

Table 2

BJC HealthCare Financial Summary				
	--Fiscal year ended Dec. 31--			**'AA' rated health care system medians**
	2014	**2013**	**2012**	**2013**
Financial performance				
Net patient revenue ($000s)	3,928,400	3,752,100	3,709,100	2,249,363
Total operating revenue ($000s)	4,099,000	3,908,400	3,849,400	MNR
Total operating expenses ($000s)	3,866,500	3,762,400	3,686,700	MNR
Operating income ($000s)	232,500	146,000	162,700	MNR
Operating margin (%)	5.67	3.74	4.23	4.90
Net non-operating income ($000s)	159,078	226,771	94,000	MNR
Excess income ($000s)	391,578	372,771	256,700	MNR

Table 2

BJC HealthCare Financial Summary (cont.)

Excess margin (%)	9.20	9.01	6.51	9.00
Operating EBIDA margin (%)	13.87	10.64	11.26	10.60
EBIDA margin (%)	17.09	15.54	13.38	14.80
Net available for debt service ($000s)	727,778	642,471	527,500	436,386
Maximum annual debt service (MADS; $000s)	82,751	82,751	82,751	MNR
MADS coverage (x)	8.79	7.76	6.37	7.20
Operating-lease-adjusted coverage (x)	5.25	4.59	3.87	5.00
Liquidity and financial flexibility				
Unrestricted reserves ($000s)	4,063,000	3,552,300	3,028,800	2,188,710
Unrestricted days' cash on hand	415.8	368.1	320.7	311.60
Unrestricted reserves/total long-term debt (%)	271.6	270.8	309.9	240.70
Unrestricted reserves/contingent liabilities (%)	335.1	292.9	471.8	MNR
Average age of plant (years)	10.8	12.5	11.4	10.10
Capital expenditures/depreciation and amortization (%)	105.5	139.1	132.2	156.20
Debt and liabilities				
Total long-term debt ($000s)	1,495,800	1,311,600	977,300	MNR
Long-term debt/capitalization (%)	24.4	21.7	19.8	25.80
Contingent liabilities ($000s)	1,212,500	1,213,000	642,000	MNR
Contingent liabilities/total long-term debt (%)	81.1	92.5	65.7	MNR
Debt burden (%)	1.91	1.99	2.01	2.00
Defined benefit plan funded status (%)	74.05	86.47	71.74	86.90
Pro forma ratios				
Unrestricted reserves ($000s)	4,063,000	N/A	N/A	MNR
Total long-term debt ($000s)	1,561,310	N/A	N/A	MNR
Unrestricted days' cash on hand	415.81	N/A	N/A	MNR
Unrestricted cash/total long-term debt (%)	260.23	N/A	N/A	MNR
Long-term debt/capitalization (%)	25.25	N/A	N/A	MNR

MNR--Median not reported. N/A--Not applicable. N.A.--Not available.

Related Criteria And Research

Related Criteria

- USPF Criteria: Not-For-Profit Health Care, June 14, 2007
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- USPF Criteria: Commercial Paper, VRDO, And Self-Liquidity, July 3, 2007
- USPF Criteria: Contingent Liquidity Risks, March 5, 2012
- General Criteria: Methodology: Industry Risk, Nov. 20, 2013

Related Research

- Glossary: Not-For-Profit Health Care Ratios, Oct. 26, 2011
- U.S. Not-For-Profit Health Care Outlook Remains Negative Despite A Glimmer Of Relief, Dec. 17, 2014

- U.S. Not-For-Profit Health Care System Ratios: Operating Performance Weakened In 2013, Aug. 13, 2014
- Health Care Providers And Insurers Pursue Value Initiatives Despite Reform Uncertainties, May 9, 2013
- Standard & Poor's Assigns Industry Risk Assessments To 38 Nonfinancial Corporate Industries, Nov. 20, 2013
- Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014
- Health Care Organizations See Integration And Greater Transparency As Prescriptions For Success, May 19, 2014

Ratings Detail (As Of March 12, 2015)		
Missouri Hlth & Educl Facs Auth, Missouri		
BJC HealthCare, Missouri		
Series 2005B		
Long Term Rating	AA/A-1+/Stable	Affirmed
Series 2008A		
Long Term Rating	AA/A-1+/Stable	Affirmed
Series 2008B		
Long Term Rating	AA/A-1+/Stable	Affirmed
Series 2008C, 2008D and 2008E		
Long Term Rating	AA/A-1+/Stable	Affirmed
Series 2013B		
Long Term Rating	AA/Stable	Affirmed
Series 2013C		
Long Term Rating	AA/A-1+/Stable	Affirmed

ATTACHMENT 37