

Form **990**

Return of Organization Exempt From Income Tax

OMB No. 1545-0047

2018

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

Do not enter social security numbers on this form as it may be made public.

Go to www.irs.gov/Form990 for instructions and the latest information.

A For the 2018 calendar year, or tax year beginning 07/01, 2018, and ending 06/30, 2019

B Check if applicable:
 Address change
 Name change
 Initial return
 Final return/terminated
 Amended return
 Application pending

C Name of organization: FREDERICK HEALTH HOSPITAL, INC.
 Doing business as _____
 Number and street (or P.O. box if mail is not delivered to street address) Room/suite
400 WEST SEVENTH STREET
 City or town, state or province, country, and ZIP or foreign postal code
FREDERICK, MD 21701

D Employer identification number: 52-0591612

E Telephone number: (240) 566-3000

F Name and address of principal officer: THOMAS A. KLEINHANZL
400 W 7TH STREET, FREDERICK, MD 21701

G Gross receipts \$ 370,256,261.

H(a) Is this a group return for subordinates? Yes No
H(b) Are all subordinates included? Yes No
 If "No," attach a list. (see instructions)

I Tax-exempt status: 501(c)(3) 501(c) () (insert no.) 4947(a)(1) or 527

J Website: WWW.FREDERICKHEALTH.ORG

K Form of organization: Corporation Trust Association Other

L Year of formation: 1897 **M** State of legal domicile: MD

H(c) Group exemption number

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities: <u>TO CONTRIBUTE TO THE HEALTH AND WELL-BEING OF AREA RESIDENTS PROVIDING QUALITY HEALTHCARE IN A CARING, COST EFFICIENT, SAFE AND CONVENIENT MANNER.</u>		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	<u>21.</u>
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	<u>16.</u>
	5 Total number of individuals employed in calendar year 2018 (Part V, line 2a)	5	<u>2,583.</u>
	6 Total number of volunteers (estimate if necessary)	6	<u>733.</u>
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	<u>-329,712.</u>
7b Net unrelated business taxable income from Form 990-T, line 38	7b	<u>-329,712.</u>	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	<u>4,531,422.</u>	<u>2,630,852.</u>
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	<u>361,042,800.</u>	<u>361,885,792.</u>
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	<u>9,647,166.</u>	<u>4,811,639.</u>
	12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	<u>404,958.</u>	<u>927,978.</u>
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	<u>375,626,346.</u>	<u>370,256,261.</u>
	14 Benefits paid to or for members (Part IX, column (A), line 4)	<u>50,000.</u>	<u>50,000.</u>
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	<u>0.</u>	<u>0.</u>
	16a Professional fundraising fees (Part IX, column (A), line 11e)	<u>153,776,754.</u>	<u>157,989,371.</u>
	b Total fundraising expenses (Part IX, column (D), line 25)	<u>54,000.</u>	<u>54,000.</u>
	17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	<u>654,818.</u>	
	18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	<u>190,547,838.</u>	<u>182,130,372.</u>
Net Assets or Fund Balances	19 Revenue less expenses. Subtract line 18 from line 12	<u>344,428,592.</u>	<u>340,223,743.</u>
	20 Total assets (Part X, line 16)	<u>31,197,754.</u>	<u>30,032,518.</u>
	21 Total liabilities (Part X, line 26)	Beginning of Current Year	End of Year
22 Net assets or fund balances. Subtract line 21 from line 20	<u>571,551,539.</u>	<u>521,826,736.</u>	
	<u>267,422,277.</u>	<u>258,831,421.</u>	
	<u>304,129,262.</u>	<u>262,995,315.</u>	

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature of officer: *Michelle K Mahan* Date: 7.14.2020

Type or print name and title: MICHELLE K. MAHAN CFO

Paid Preparer Use Only

Print/Type preparer's name: MELANIE A MCPEAK Preparer's signature: *Melanie A. McPeak* Date: 7/14/2020 Check if self-employed PTIN: P01346034

Firm's name: ERNST & YOUNG U.S. LLP Firm's EIN: 34-6565596

Firm's address: 201 NORTH FRANKLIN ST, STE 2400 TAMPA, FL 33602 Phone no.: 813-225-4800

May the IRS discuss this return with the preparer shown above? (see instructions) Yes No

For Paperwork Reduction Act Notice, see the separate instructions. Form **990** (2018)

Application for Automatic Extension of Time To File an Exempt Organization Return

▶ **File a separate application for each return.**
▶ **Go to www.irs.gov/Form8868 for the latest information.**

Electronic filing (e-file). You can electronically file Form 8868 to request a 6-month automatic extension of time to file any of the forms listed below with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, for which an extension request must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit www.irs.gov/e-file-providers/e-file-for-charities-and-non-profits.

Automatic 6-Month Extension of Time. Only submit original (no copies needed).

All corporations required to file an income tax return other than Form 990-T (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.

Type or print	Enter filer's identifying number, see instructions	
	Name of exempt organization or other filer, see instructions.	Employer identification number (EIN) or
	FREDERICK MEMORIAL HOSPITAL, INC	52-0591612
	Number, street, and room or suite no. If a P.O. box, see instructions.	Social security number (SSN)
400 WEST SEVENTH STREET		
City, town or post office, state, and ZIP code. For a foreign address, see instructions.		
FREDERICK, MD 21701		

Enter the Return Code for the return that this application is for (file a separate application for each return)

0	1
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Application Is For	Return Code	Application Is For	Return Code
Form 990 or Form 990-EZ	01	Form 990-T (corporation)	07
Form 990-BL	02	Form 1041-A	08
Form 4720 (individual)	03	Form 4720 (other than individual)	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

MICHELLE K. MAHAN

• The books are in the care of ▶ 400 W 7TH STREET FREDERICK MD 21701

Telephone No. ▶ 240 566-3350 Fax No. ▶ 240 566-3969

- If the organization does not have an office or place of business in the United States, check this box
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____ . If this is for the whole group, check this box . If it is for part of the group, check this box and attach a list with the names and EINs of all members the extension is for.

1 I request an automatic 6-month extension of time until 05/15, 2020, to file the exempt organization return for the organization named above. The extension is for the organization's return for:

- ▶ calendar year 20 ____ or
- ▶ tax year beginning 07/01, 2018, and ending 06/30, 2019.

2 If the tax year entered in line 1 is for less than 12 months, check reason: Initial return Final return Change in accounting period

3a If this application is for Forms 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	3a \$	0.
b If this application is for Forms 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit.	3b \$	0.
c Balance due. Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	3c \$	0.

Caution: If you are going to make an electronic funds withdrawal (direct debit) with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

For Privacy Act and Paperwork Reduction Act Notice, see instructions.

Cumulative e-File History 2018	
FED	
Locator:	97970M
Taxpayer Name:	FREDERICK MEMORIAL HOSPITAL, INC
Return Type:	990, 990 & 990T (Corp)
Submitted Date:	11/15/2019 08:39:24
Acknowledgement Date:	11/15/2019 08:58:54
Status:	Accepted
Submission ID:	59196620193195000011

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III Yes No

1 Briefly describe the organization's mission:

TO POSITIVELY IMPACT THE WELL-BEING OF EVERY INDIVIDUAL IN OUR COMMUNITY.

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? Yes No

If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? Yes No

If "Yes," describe these changes on Schedule O.

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code:) (Expenses \$ 38,501,231. including grants of \$ 50,000.) (Revenue \$ 64,387,907.)

ATTACHMENT 1

4b (Code:) (Expenses \$ 31,770,140. including grants of \$ 0.) (Revenue \$ 61,868,375.)

ATTACHMENT 2

4c (Code:) (Expenses \$ 16,455,825. including grants of \$ 0.) (Revenue \$ 32,343,321.)

ATTACHMENT 3

4d Other program services (Describe in Schedule O.)

(Expenses \$ 211,181,891. including grants of \$ 0.) (Revenue \$ 203,279,528.)

4e Total program service expenses ▶ 297,909,087.

Part IV Checklist of Required Schedules

Table with 3 columns: Question number, Yes, No. Rows 1-21 with various questions about organizational activities and financial reporting.

Part IV Checklist of Required Schedules (continued)

Table with 3 columns: Question, Yes, No. Rows 22-38 covering various IRS schedule requirements.

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V. []

Table with 3 columns: Question, Yes, No. Rows 1a-1c regarding Form 1096, W-2G forms, and backup withholding rules.

Part V Statements Regarding Other IRS Filings and Tax Compliance (continued)

Table with columns for question number, question text, and Yes/No columns. Includes questions 2a through 16 regarding employee counts, tax returns, business income, foreign accounts, prohibited transactions, and charitable contributions.

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response or note to any line in this Part VI [X]

Section A. Governing Body and Management

Table with 3 columns: Question, Yes, No. Rows include 1a (21), 1b (16), 2, 3, 4, 5, 6, 7a, 7b, 8a, 8b, 9.

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

Table with 3 columns: Question, Yes, No. Rows include 10a, 10b, 11a, 11b, 12a, 12b, 12c, 13, 14, 15a, 15b, 16a, 16b.

Section C. Disclosure

- 17 List the states with which a copy of this Form 990 is required to be filed MD,
18 Section 6104 requires an organization to make its Forms 1023 (1024 or 1024-A if applicable), 990, and 990-T (Section 501(c) (3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
19 Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.
20 State the name, address, and telephone number of the person who possesses the organization's books and records

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response or note to any line in this Part VII X

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1)TERRENCE MCPHERSON DIRECTOR	2.00 0.	X					0.	0.	0.	
(2)LAURA MELIA DIRECTOR	2.00 2.00	X					0.	0.	0.	
(3)THOMAS A. KLEINHANZL PRESIDENT AND CEO	32.00 8.00	X		X			2,079,039.	0.	317,626.	
(4)R. CARL BENNA DIRECTOR	2.00 0.	X					0.	0.	0.	
(5)ALLEN D. MAWDSLEY DIRECTOR	2.00 2.00	X					0.	0.	0.	
(6)ELIZABETH PAKENAS DIRECTOR	2.00 0.	X					0.	0.	0.	
(7)GREGORY P. DORMITZER DIRECTOR	2.00 1.00	X					0.	0.	0.	
(8)THEODORE LUCK DIRECTOR	2.00 0.	X					0.	0.	0.	
(9)HONORABLE STEPHEN JOHNSON SECRETARY/TREASURER	2.00 1.00	X		X			0.	0.	0.	
(10)THOMAS MUNRO, MD VC OF STAFF/PHYSICIAN	5.00 0.	X					20,997.	0.	0.	
(11)GERRIT SCHIPPER, MD CHIEF OF STAFF/PHYSICIAN	10.00 0.	X					39,428.	0.	0.	
(12)JOE COLLINS DIRECTOR	2.00 0.	X					0.	0.	0.	
(13)E. JAMES REINSCH DIRECTOR	2.00 2.00	X					0.	0.	0.	
(14)J. FREDERICK MANNING VICE CHARMAN	4.00 0.	X		X			0.	0.	0.	

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(15) PATRICIA HANBERRY ----- DIRECTOR	2.00 ----- 0.	X						0.	0.	0.
(16) KARYLYS KLINE ----- DIRECTOR	2.00 ----- 0.	X						0.	0.	0.
(17) NIKKI MOBERLY ----- DIRECTOR	2.00 ----- 0.	X						0.	0.	0.
(18) GERALD WINNAN, MD ----- CHAIRMAN	2.00 ----- 3.00	X		X				0.	0.	0.
(19) SHAWN WOLF ----- DIRECTOR	2.00 ----- 0.	X						0.	0.	0.
(20) RAVI YALAMANCHILI ----- DIRECTOR/PHYSICIAN	40.00 ----- 0.	X						428,469.	0.	0.
(21) CORNELIUS FAY ----- DIRECTOR	2.00 ----- 0.	X						0.	0.	0.
(22) MICHELLE K. MAHAN ----- SR VP AND CFO	39.00 ----- 6.00			X				635,679.	0.	64,898.
(23) MANUEL A. CASIANO ----- SVP POPULATION HEALTH	14.00 ----- 26.00				X			499,905.	0.	55,393.
(24) CHERYL L. CIOFFI ----- SVP COO AND CNO	36.00 ----- 4.00				X			585,177.	0.	63,068.
(25) HANNAH R. JACOBS ----- VP FINANCE	33.00 ----- 7.00				X			246,813.	0.	18,374.
1b Sub-total								2,139,464.	0.	317,626.
c Total from continuation sheets to Part VII, Section A								6,469,025.	0.	593,719.
d Total (add lines 1b and 1c)								8,608,489.	0.	911,345.

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization ► 125

	Yes	No
3 Did the organization list any former officer, director, or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	X	
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	X	
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>		X

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
ATTACHMENT 4		

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization ► 47

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(26) RACHEL I. MANDEL VP MEDICAL AFFAIRS (END 10/18)	40.00 0.				X			323,479.	0.	19,640.
(27) CRAIG F. ROSENDALE VP COMPLIANCE	24.00 16.00				X			245,372.	0.	31,088.
(28) DONALD R. SCHILLING VP AMBULATORY SERVICES	6.00 34.00				X			278,929.	0.	31,967.
(29) JENNIFER G. TEETER VP CLINICAL INTEGRATION	16.00 24.00				X			282,020.	0.	34,007.
(30) HEATHER R KIRBY VP INTEGRATED CARE DELIVERY	36.00 4.00				X			205,912.	0.	24,441.
(31) MARY D. BARTON VP-BUSINESS DEVELOP. & STRAT.	40.00 0.				X			306,691.	0.	7,005.
(32) MICHAEL G MCLANE JR VP SUPPORT SVCS	40.00 0.				X			201,385.	0.	30,637.
(33) ROBIN R ROSE VP DEVELOPMENT	40.00 0.				X			183,235.	0.	28,525.
(34) DIANE M. MCFARLAND VP PATIENT CARE SVCS	40.00 0.				X			222,047.	0.	20,909.
(35) JACKIE L RICE VP-CIO	40.00 0.				X			268,085.	0.	11,319.
(36) DUSTIN M. SIMONSON ONCOLOGY MEDICAL PHYSICIST	40.00 0.					X		219,438.	0.	32,659.
1b Sub-total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)										

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization ► 125

	Yes	No
3 Did the organization list any former officer, director, or trustee, key employee, or highest compensated employee on line 1a? If "Yes," complete Schedule J for such individual	X	
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? If "Yes," complete Schedule J for such individual	X	
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? If "Yes," complete Schedule J for such person		X

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization ►

Part VIII Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514	
Contributions, Gifts, Grants and Other Similar Amounts	1a Federated campaigns	1a						
	b Membership dues	1b						
	c Fundraising events	1c						
	d Related organizations	1d						
	e Government grants (contributions) . .	1e						
	f All other contributions, gifts, grants, and similar amounts not included above .	1f	2,630,852.					
	g Noncash contributions included in lines 1a-1f: \$		64,690.					
	h Total. Add lines 1a-1f ▶			2,630,852.				
Program Service Revenue	2a INPATIENT REVENUE	Business Code	624110	201,243,113.	201,243,113.			
	b OUTPATIENT REVENUE		621410	157,378,540.	157,378,540.			
	c GROUP PURCHASING PREMIER		525990	76,645.	57,074.	19,571.		
	d ALL OTHER PROGRAM SERVICE REVENUE		900099	3,187,494.	3,187,494.			
	e _____							
	f All other program service revenue							
	g Total. Add lines 2a-2f ▶			361,885,792.				
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts). ▶			4,010,965.		-349,283.	4,010,965.	
	4 Income from investment of tax-exempt bond proceeds . ▶			0.				
	5 Royalties ▶			0.				
	6a Gross rents	(i) Real	(ii) Personal					
		934,639.						
		b Less: rental expenses						
	c Rental income or (loss)		934,639.					
	d Net rental income or (loss) ▶			934,639.			934,639.	
	7a Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other					
		781,101.	19,573.					
		b Less: cost or other basis and sales expenses						
	c Gain or (loss)		781,101.	19,573.				
	d Net gain or (loss) ▶			800,674.			800,674.	
	8a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c). See Part IV, line 18 a			0.				
		b Less: direct expenses b		0.				
c Net income or (loss) from fundraising events ▶				0.				
9a Gross income from gaming activities. See Part IV, line 19 a			0.					
	b Less: direct expenses b		0.					
	c Net income or (loss) from gaming activities ▶			0.				
10a Gross sales of inventory, less returns and allowances a			0.					
	b Less: cost of goods sold b		0.					
	c Net income or (loss) from sales of inventory ▶			0.				
Miscellaneous Revenue			Business Code					
11a CAFETERIA REVENUE		722511	1,195,459.	1,195,459.				
	b LOSSES INTEREST RATE SWAP		900099	-1,202,120.	-1,202,120.			
	c _____							
	d All other revenue							
e Total. Add lines 11a-11d ▶			-6,661.					
12 Total revenue. See instructions. ▶			370,256,261.	361,859,560.	-329,712.	5,746,278.		

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX [X]

Table with 5 columns: (A) Total expenses, (B) Program service expenses, (C) Management and general expenses, (D) Fundraising expenses. Rows include categories like Grants, Compensation, Salaries, Pension, Advertising, etc.

Part X Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X

		(A) Beginning of year		(B) End of year
Assets	1 Cash - non-interest-bearing	0.	1	0.
	2 Savings and temporary cash investments	30,245,309.	2	24,962,673.
	3 Pledges and grants receivable, net	5,540,611.	3	4,738,966.
	4 Accounts receivable, net	45,496,416.	4	45,547,718.
	5 Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L	0.	5	0.
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions). Complete Part II of Schedule L	0.	6	0.
	7 Notes and loans receivable, net	0.	7	0.
	8 Inventories for sale or use	4,991,906.	8	4,507,924.
	9 Prepaid expenses and deferred charges	2,345,944.	9	3,324,816.
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 567,889,549.		
	b Less: accumulated depreciation	10b 342,591,798.	228,553,048.	10c 225,297,751.
	11 Investments - publicly traded securities	148,266,422.	11	169,920,687.
	12 Investments - other securities. See Part IV, line 11	0.	12	0.
	13 Investments - program-related. See Part IV, line 11	94,343,358.	13	29,007,433.
	14 Intangible assets	0.	14	0.
	15 Other assets. See Part IV, line 11	11,768,525.	15	14,518,768.
16 Total assets. Add lines 1 through 15 (must equal line 34)	571,551,539.	16	521,826,736.	
Liabilities	17 Accounts payable and accrued expenses	45,919,788.	17	44,157,466.
	18 Grants payable	0.	18	0.
	19 Deferred revenue	0.	19	0.
	20 Tax-exempt bond liabilities	177,594,683.	20	172,390,436.
	21 Escrow or custodial account liability. Complete Part IV of Schedule D	0.	21	0.
	22 Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L	0.	22	0.
	23 Secured mortgages and notes payable to unrelated third parties	0.	23	0.
	24 Unsecured notes and loans payable to unrelated third parties	0.	24	0.
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D	43,907,806.	25	42,283,519.
	26 Total liabilities. Add lines 17 through 25	267,422,277.	26	258,831,421.
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	295,861,898.	27	255,199,544.
	28 Temporarily restricted net assets	7,291,187.	28	6,819,594.
	29 Permanently restricted net assets	976,177.	29	976,177.
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building, or equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
	33 Total net assets or fund balances	304,129,262.	33	262,995,315.
34 Total liabilities and net assets/fund balances	571,551,539.	34	521,826,736.	

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI.

1	Total revenue (must equal Part VIII, column (A), line 12)	1	370,256,261.
2	Total expenses (must equal Part IX, column (A), line 25)	2	340,223,743.
3	Revenue less expenses. Subtract line 2 from line 1	3	30,032,518.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	304,129,262.
5	Net unrealized gains (losses) on investments	5	7,135,469.
6	Donated services and use of facilities	6	0.
7	Investment expenses	7	0.
8	Prior period adjustments	8	0.
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-78,301,934.
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	262,995,315.

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII

- 1** Accounting method used to prepare the Form 990: Cash Accrual Other _____
If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.
- 2a** Were the organization's financial statements compiled or reviewed by an independent accountant?
If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both:
 Separate basis Consolidated basis Both consolidated and separate basis
- b** Were the organization's financial statements audited by an independent accountant?
If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both:
 Separate basis Consolidated basis Both consolidated and separate basis
- c** If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.
- 3a** As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?
- b** If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits.

	Yes	No
2a		X
2b	X	
2c	X	
3a		X
3b		

SCHEDULE A
(Form 990 or 990-EZ)

Public Charity Status and Public Support

OMB No. 1545-0047

2018

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ.

▶ Go to www.irs.gov/Form990 for instructions and the latest information.

Name of the organization

FREDERICK HEALTH HOSPITAL, INC.

Employer identification number

52-0591612

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is: (For lines 1 through 12, check only one box.)

- 1 A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i)**.
- 2 A school described in **section 170(b)(1)(A)(ii)**. (Attach Schedule E (Form 990 or 990-EZ).)
- 3 A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii)**.
- 4 A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii)**. Enter the hospital's name, city, and state: _____
- 5 An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv)**. (Complete Part II.)
- 6 A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v)**.
- 7 An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)**. (Complete Part II.)
- 8 A community trust described in **section 170(b)(1)(A)(vi)**. (Complete Part II.)
- 9 An agricultural research organization described in **section 170(b)(1)(A)(ix)** operated in conjunction with a land-grant college or university or a non-land-grant college of agriculture (see instructions). Enter the name, city, and state of the college or university: _____
- 10 An organization that normally receives: (1) more than 33 1/3 % of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions - subject to certain exceptions, and (2) no more than 33 1/3 % of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2)**. (Complete Part III.)
- 11 An organization organized and operated exclusively to test for public safety. See **section 509(a)(4)**.
- 12 An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in **section 509(a)(1)** or **section 509(a)(2)**. See **section 509(a)(3)**.
Check the box in lines 12a through 12d that describes the type of supporting organization and complete lines 12e, 12f, and 12g.
 - a **Type I.** A supporting organization operated, supervised, or controlled by its supported organization(s), typically by giving the supported organization(s) the power to regularly appoint or elect a majority of the directors or trustees of the supporting organization. **You must complete Part IV, Sections A and B.**
 - b **Type II.** A supporting organization supervised or controlled in connection with its supported organization(s), by having control or management of the supporting organization vested in the same persons that control or manage the supported organization(s). **You must complete Part IV, Sections A and C.**
 - c **Type III functionally integrated.** A supporting organization operated in connection with, and functionally integrated with, its supported organization(s) (see instructions). **You must complete Part IV, Sections A, D, and E.**
 - d **Type III non-functionally integrated.** A supporting organization operated in connection with its supported organization(s) that is not functionally integrated. The organization generally must satisfy a distribution requirement and an attentiveness requirement (see instructions). **You must complete Part IV, Sections A and D, and Part V.**
 - e Check this box if the organization received a written determination from the IRS that it is a Type I, Type II, Type III functionally integrated, or Type III non-functionally integrated supporting organization.

f Enter the number of supported organizations

g Provide the following information about the supported organization(s).

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-10 above (see instructions))	(iv) Is the organization listed in your governing document?		(v) Amount of monetary support (see instructions)	(vi) Amount of other support (see instructions)
			Yes	No		
(A)						
(B)						
(C)						
(D)						
(E)						
Total						

Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Table with 7 columns: (a) 2014, (b) 2015, (c) 2016, (d) 2017, (e) 2018, (f) Total. Rows include: 1 Gifts, grants, contributions, and membership fees received; 2 Tax revenues levied for the organization's benefit; 3 The value of services or facilities furnished by a governmental unit; 4 Total; 5 The portion of total contributions by each person; 6 Public support.

Section B. Total Support

Table with 7 columns: (a) 2014, (b) 2015, (c) 2016, (d) 2017, (e) 2018, (f) Total. Rows include: 7 Amounts from line 4; 8 Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources; 9 Net income from unrelated business activities; 10 Other income; 11 Total support; 12 Gross receipts from related activities; 13 First five years.

Section C. Computation of Public Support Percentage

Table with 3 columns: Line number, Description, and Percentage. Rows include: 14 Public support percentage for 2018; 15 Public support percentage from 2017 Schedule A; 16a 33 1/3% support test - 2018; 16b 33 1/3% support test - 2017; 17a 10%-facts-and-circumstances test - 2018; 17b 10%-facts-and-circumstances test - 2017; 18 Private foundation.

Part III Support Schedule for Organizations Described in Section 509(a)(2)
 (Complete only if you checked the box on line 10 of Part I or if the organization failed to qualify under Part II.
 If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ►	(a) 2014	(b) 2015	(c) 2016	(d) 2017	(e) 2018	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5.						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b.						
8 Public support. (Subtract line 7c from line 6.)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2014	(b) 2015	(c) 2016	(d) 2017	(e) 2018	(f) Total
9 Amounts from line 6.						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources.						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on.						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						

14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here**

Section C. Computation of Public Support Percentage

15 Public support percentage for 2018 (line 8, column (f), divided by line 13, column (f))	15	%
16 Public support percentage from 2017 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2018 (line 10c, column (f), divided by line 13, column (f)),	17	%
18 Investment income percentage from 2017 Schedule A, Part III, line 17	18	%

19a 33 1/3% support tests - 2018. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization .

b 33 1/3% support tests - 2017. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization ►

20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ►

Part IV Supporting Organizations

(Complete only if you checked a box in line 12 on Part I. If you checked 12a of Part I, complete Sections A and B. If you checked 12b of Part I, complete Sections A and C. If you checked 12c of Part I, complete Sections A, D, and E. If you checked 12d of Part I, complete Sections A and D, and complete Part V.)

Section A. All Supporting Organizations

	Yes	No
1 Are all of the organization's supported organizations listed by name in the organization's governing documents? <i>If "No," describe in Part VI how the supported organizations are designated. If designated by class or purpose, describe the designation. If historic and continuing relationship, explain.</i>		
2 Did the organization have any supported organization that does not have an IRS determination of status under section 509(a)(1) or (2)? <i>If "Yes," explain in Part VI how the organization determined that the supported organization was described in section 509(a)(1) or (2).</i>		
3a Did the organization have a supported organization described in section 501(c)(4), (5), or (6)? <i>If "Yes," answer (b) and (c) below.</i>		
b Did the organization confirm that each supported organization qualified under section 501(c)(4), (5), or (6) and satisfied the public support tests under section 509(a)(2)? <i>If "Yes," describe in Part VI when and how the organization made the determination.</i>		
c Did the organization ensure that all support to such organizations was used exclusively for section 170(c)(2)(B) purposes? <i>If "Yes," explain in Part VI what controls the organization put in place to ensure such use.</i>		
4a Was any supported organization not organized in the United States ("foreign supported organization")? <i>If "Yes," and if you checked 12a or 12b in Part I, answer (b) and (c) below.</i>		
b Did the organization have ultimate control and discretion in deciding whether to make grants to the foreign supported organization? <i>If "Yes," describe in Part VI how the organization had such control and discretion despite being controlled or supervised by or in connection with its supported organizations.</i>		
c Did the organization support any foreign supported organization that does not have an IRS determination under sections 501(c)(3) and 509(a)(1) or (2)? <i>If "Yes," explain in Part VI what controls the organization used to ensure that all support to the foreign supported organization was used exclusively for section 170(c)(2)(B) purposes.</i>		
5a Did the organization add, substitute, or remove any supported organizations during the tax year? <i>If "Yes," answer (b) and (c) below (if applicable). Also, provide detail in Part VI, including (i) the names and EIN numbers of the supported organizations added, substituted, or removed; (ii) the reasons for each such action; (iii) the authority under the organization's organizing document authorizing such action; and (iv) how the action was accomplished (such as by amendment to the organizing document).</i>		
b Type I or Type II only. Was any added or substituted supported organization part of a class already designated in the organization's organizing document?		
c Substitutions only. Was the substitution the result of an event beyond the organization's control?		
6 Did the organization provide support (whether in the form of grants or the provision of services or facilities) to anyone other than (i) its supported organizations, (ii) individuals that are part of the charitable class benefited by one or more of its supported organizations, or (iii) other supporting organizations that also support or benefit one or more of the filing organization's supported organizations? <i>If "Yes," provide detail in Part VI.</i>		
7 Did the organization provide a grant, loan, compensation, or other similar payment to a substantial contributor (as defined in section 4958(c)(3)(C)), a family member of a substantial contributor, or a 35% controlled entity with regard to a substantial contributor? <i>If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).</i>		
8 Did the organization make a loan to a disqualified person (as defined in section 4958) not described in line 7? <i>If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).</i>		
9a Was the organization controlled directly or indirectly at any time during the tax year by one or more disqualified persons as defined in section 4946 (other than foundation managers and organizations described in section 509(a)(1) or (2))? <i>If "Yes," provide detail in Part VI.</i>		
b Did one or more disqualified persons (as defined in line 9a) hold a controlling interest in any entity in which the supporting organization had an interest? <i>If "Yes," provide detail in Part VI.</i>		
c Did a disqualified person (as defined in line 9a) have an ownership interest in, or derive any personal benefit from, assets in which the supporting organization also had an interest? <i>If "Yes," provide detail in Part VI.</i>		
10a Was the organization subject to the excess business holdings rules of section 4943 because of section 4943(f) (regarding certain Type II supporting organizations, and all Type III non-functionally integrated supporting organizations)? <i>If "Yes," answer 10b below.</i>		
b Did the organization have any excess business holdings in the tax year? <i>(Use Schedule C, Form 4720, to determine whether the organization had excess business holdings.)</i>		

Part IV Supporting Organizations (continued)

	Yes	No
11 Has the organization accepted a gift or contribution from any of the following persons?		
a A person who directly or indirectly controls, either alone or together with persons described in (b) and (c) below, the governing body of a supported organization?	11 a	
b A family member of a person described in (a) above?	11 b	
c A 35% controlled entity of a person described in (a) or (b) above? <i>If "Yes" to a, b, or c, provide detail in Part VI.</i>	11 c	

Section B. Type I Supporting Organizations

	Yes	No
1 Did the directors, trustees, or membership of one or more supported organizations have the power to regularly appoint or elect at least a majority of the organization's directors or trustees at all times during the tax year? <i>If "No," describe in Part VI how the supported organization(s) effectively operated, supervised, or controlled the organization's activities. If the organization had more than one supported organization, describe how the powers to appoint and/or remove directors or trustees were allocated among the supported organizations and what conditions or restrictions, if any, applied to such powers during the tax year.</i>	1	
2 Did the organization operate for the benefit of any supported organization other than the supported organization(s) that operated, supervised, or controlled the supporting organization? <i>If "Yes," explain in Part VI how providing such benefit carried out the purposes of the supported organization(s) that operated, supervised, or controlled the supporting organization.</i>	2	

Section C. Type II Supporting Organizations

	Yes	No
1 Were a majority of the organization's directors or trustees during the tax year also a majority of the directors or trustees of each of the organization's supported organization(s)? <i>If "No," describe in Part VI how control or management of the supporting organization was vested in the same persons that controlled or managed the supported organization(s).</i>	1	

Section D. All Type III Supporting Organizations

	Yes	No
1 Did the organization provide to each of its supported organizations, by the last day of the fifth month of the organization's tax year, (i) a written notice describing the type and amount of support provided during the prior tax year, (ii) a copy of the Form 990 that was most recently filed as of the date of notification, and (iii) copies of the organization's governing documents in effect on the date of notification, to the extent not previously provided?	1	
2 Were any of the organization's officers, directors, or trustees either (i) appointed or elected by the supported organization(s) or (ii) serving on the governing body of a supported organization? <i>If "No," explain in Part VI how the organization maintained a close and continuous working relationship with the supported organization(s).</i>	2	
3 By reason of the relationship described in (2), did the organization's supported organizations have a significant voice in the organization's investment policies and in directing the use of the organization's income or assets at all times during the tax year? <i>If "Yes," describe in Part VI the role the organization's supported organizations played in this regard.</i>	3	

Section E. Type III Functionally Integrated Supporting Organizations

1 Check the box next to the method that the organization used to satisfy the Integral Part Test during the year (see instructions).			
a <input type="checkbox"/> The organization satisfied the Activities Test. Complete line 2 below.			
b <input type="checkbox"/> The organization is the parent of each of its supported organizations. Complete line 3 below.			
c <input type="checkbox"/> The organization supported a governmental entity. Describe in Part VI how you supported a government entity (see instructions).			
2 Activities Test. Answer (a) and (b) below.		Yes	No
a Did substantially all of the organization's activities during the tax year directly further the exempt purposes of the supported organization(s) to which the organization was responsive? <i>If "Yes," then in Part VI identify those supported organizations and explain how these activities directly furthered their exempt purposes, how the organization was responsive to those supported organizations, and how the organization determined that these activities constituted substantially all of its activities.</i>	2a		
b Did the activities described in (a) constitute activities that, but for the organization's involvement, one or more of the organization's supported organization(s) would have been engaged in? <i>If "Yes," explain in Part VI the reasons for the organization's position that its supported organization(s) would have engaged in these activities but for the organization's involvement.</i>	2b		
3 Parent of Supported Organizations. Answer (a) and (b) below.			
a Did the organization have the power to regularly appoint or elect a majority of the officers, directors, or trustees of each of the supported organizations? <i>Provide details in Part VI.</i>	3a		
b Did the organization exercise a substantial degree of direction over the policies, programs, and activities of each of its supported organizations? <i>If "Yes," describe in Part VI the role played by the organization in this regard.</i>	3b		

Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations

1 Check here if the organization satisfied the Integral Part Test as a qualifying trust on Nov. 20, 1970 (explain in Part VI). **See instructions.** All other Type III non-functionally integrated supporting organizations must complete Sections A through E.

Section A - Adjusted Net Income		(A) Prior Year	(B) Current Year (optional)
1 Net short-term capital gain	1		
2 Recoveries of prior-year distributions	2		
3 Other gross income (see instructions)	3		
4 Add lines 1 through 3.	4		
5 Depreciation and depletion	5		
6 Portion of operating expenses paid or incurred for production or collection of gross income or for management, conservation, or maintenance of property held for production of income (see instructions)	6		
7 Other expenses (see instructions)	7		
8 Adjusted Net Income (subtract lines 5, 6, and 7 from line 4)	8		

Section B - Minimum Asset Amount		(A) Prior Year	(B) Current Year (optional)
1 Aggregate fair market value of all non-exempt-use assets (see instructions for short tax year or assets held for part of year):			
a Average monthly value of securities	1a		
b Average monthly cash balances	1b		
c Fair market value of other non-exempt-use assets	1c		
d Total (add lines 1a, 1b, and 1c)	1d		
e Discount claimed for blockage or other factors (explain in detail in Part VI):			
2 Acquisition indebtedness applicable to non-exempt-use assets	2		
3 Subtract line 2 from line 1d.	3		
4 Cash deemed held for exempt use. Enter 1-1/2% of line 3 (for greater amount, see instructions).	4		
5 Net value of non-exempt-use assets (subtract line 4 from line 3)	5		
6 Multiply line 5 by .035.	6		
7 Recoveries of prior-year distributions	7		
8 Minimum Asset Amount (add line 7 to line 6)	8		

Section C - Distributable Amount			Current Year
1 Adjusted net income for prior year (from Section A, line 8, Column A)	1		
2 Enter 85% of line 1.	2		
3 Minimum asset amount for prior year (from Section B, line 8, Column A)	3		
4 Enter greater of line 2 or line 3.	4		
5 Income tax imposed in prior year	5		
6 Distributable Amount. Subtract line 5 from line 4, unless subject to emergency temporary reduction (see instructions).	6		

7 Check here if the current year is the organization's first as a non-functionally integrated Type III supporting organization (see instructions).

Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations (continued)

Section D - Distributions	Current Year
1 Amounts paid to supported organizations to accomplish exempt purposes	
2 Amounts paid to perform activity that directly furthers exempt purposes of supported organizations, in excess of income from activity	
3 Administrative expenses paid to accomplish exempt purposes of supported organizations	
4 Amounts paid to acquire exempt-use assets	
5 Qualified set-aside amounts (prior IRS approval required)	
6 Other distributions (describe in Part VI). See instructions.	
7 Total annual distributions. Add lines 1 through 6.	
8 Distributions to attentive supported organizations to which the organization is responsive (provide details in Part VI). See instructions.	
9 Distributable amount for 2018 from Section C, line 6	
10 Line 8 amount divided by line 9 amount	

Section E - Distribution Allocations (see instructions)	(i) Excess Distributions	(ii) Underdistributions Pre-2018	(iii) Distributable Amount for 2018
1 Distributable amount for 2018 from Section C, line 6			
2 Underdistributions, if any, for years prior to 2018 (reasonable cause required - explain in Part VI). See instructions.			
3 Excess distributions carryover, if any, to 2018			
a From 2013			
b From 2014			
c From 2015			
d From 2016			
e From 2017			
f Total of lines 3a through e			
g Applied to underdistributions of prior years			
h Applied to 2018 distributable amount			
i Carryover from 2013 not applied (see instructions)			
j Remainder. Subtract lines 3g, 3h, and 3i from 3f.			
4 Distributions for 2018 from Section D, line 7: \$			
a Applied to underdistributions of prior years			
b Applied to 2018 distributable amount			
c Remainder. Subtract lines 4a and 4b from 4.			
5 Remaining underdistributions for years prior to 2018, if any. Subtract lines 3g and 4a from line 2. For result greater than zero, explain in Part VI. See instructions.			
6 Remaining underdistributions for 2018. Subtract lines 3h and 4b from line 1. For result greater than zero, explain in Part VI. See instructions.			
7 Excess distributions carryover to 2019. Add lines 3j and 4c.			
8 Breakdown of line 7:			
a Excess from 2014			
b Excess from 2015			
c Excess from 2016			
d Excess from 2017			
e Excess from 2018			

Part VI **Supplemental Information.** Provide the explanations required by Part II, line 10; Part II, line 17a or 17b; Part III, line 12; Part IV, Section A, lines 1, 2, 3b, 3c, 4b, 4c, 5a, 6, 9a, 9b, 9c, 11a, 11b, and 11c; Part IV, Section B, lines 1 and 2; Part IV, Section C, line 1; Part IV, Section D, lines 2 and 3; Part IV, Section E, lines 1c, 2a, 2b, 3a and 3b; Part V, line 1; Part V, Section B, line 1e; Part V, Section D, lines 5, 6, and 8; and Part V, Section E, lines 2, 5, and 6. Also complete this part for any additional information. (See instructions.)

Schedule of Contributors

2018

▶ Attach to Form 990, Form 990-EZ, or Form 990-PF.
 ▶ Go to www.irs.gov/Form990 for the latest information.

Name of the organization FREDERICK HEALTH HOSPITAL, INC.	Employer identification number 52-0591612
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Organization type (check one):

Filers of:

Section:

Form 990 or 990-EZ

501(c)(3) (enter number) organization

4947(a)(1) nonexempt charitable trust **not** treated as a private foundation

527 political organization

Form 990-PF

501(c)(3) exempt private foundation

4947(a)(1) nonexempt charitable trust treated as a private foundation

501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule**.

Note: Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.

General Rule

For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, contributions totaling \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II. See instructions for determining a contributor's total contributions.

Special Rules

For an organization described in section 501(c)(3) filing Form 990 or 990-EZ that met the 33 1/3% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), that checked Schedule A (Form 990 or 990-EZ), Part II, line 13, 16a, or 16b, and that received from any one contributor, during the year, total contributions of the greater of **(1)** \$5,000; or **(2)** 2% of the amount on (i) Form 990, Part VIII, line 1h; or (ii) Form 990-EZ, line 1. Complete Parts I and II.

For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, total contributions of more than \$1,000 *exclusively* for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. Complete Parts I (entering "N/A" in column (b) instead of the contributor name and address), II, and III.

For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions *exclusively* for religious, charitable, etc., purposes, but no such contributions totaled more than \$1,000. If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Don't complete any of the parts unless the **General Rule** applies to this organization because it received *nonexclusively* religious, charitable, etc., contributions totaling \$5,000 or more during the year ▶ \$ _____

Caution: An organization that isn't covered by the General Rule and/or the Special Rules doesn't file Schedule B (Form 990, 990-EZ, or 990-PF), but it **must** answer "No" on Part IV, line 2, of its Form 990; or check the box on line H of its Form 990-EZ or on its Form 990-PF, Part I, line 2, to certify that it doesn't meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

Name of organization **FREDERICK HEALTH HOSPITAL, INC.**

Employer identification number
52-0591612

Part I **Contributors** (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
1		\$ 5,100.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
2		\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
3		\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
4		\$ 6,400.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
5		\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
6		\$ 5,100.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization **FREDERICK HEALTH HOSPITAL, INC.**

Employer identification number
52-0591612

Part I **Contributors** (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
7		\$ 50,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
8		\$ 41,518.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input checked="" type="checkbox"/> (Complete Part II for noncash contributions.)
9		\$ 20,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
10		\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
11		\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
12		\$ 32,549.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization FREDERICK HEALTH HOSPITAL, INC.	Employer identification number 52-0591612
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Part I **Contributors** (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
13	_____ _____ _____	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
14	_____ _____ _____	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
15	_____ _____ _____	\$ 25,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
16	_____ _____ _____	\$ 17,392.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
17	_____ _____ _____	\$ 940,610.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
18	_____ _____ _____	\$ 26,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization **FREDERICK HEALTH HOSPITAL, INC.**

Employer identification number
52-0591612

Part I **Contributors** (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
19		\$ 238,989.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
20		\$ 5,801.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input checked="" type="checkbox"/> (Complete Part II for noncash contributions.)
21		\$ 5,750.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
22		\$ 9,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
23		\$ 14,842.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
24		\$ 7,500.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization **FREDERICK HEALTH HOSPITAL, INC.**

Employer identification number
52-0591612

Part I **Contributors** (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
25		\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
26		\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
27		\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
28		\$ 20,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
29		\$ 5,460.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input checked="" type="checkbox"/> (Complete Part II for noncash contributions.)
30		\$ 20,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization FREDERICK HEALTH HOSPITAL, INC.	Employer identification number 52-0591612
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Part I **Contributors** (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
31	_____	\$ 7,480.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
32	_____	\$ 20,500.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
33	_____	\$ 5,250.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
34	_____	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
35	_____	\$ 5,200.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
36	_____	\$ 6,080.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization FREDERICK HEALTH HOSPITAL, INC.	Employer identification number 52-0591612
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Part I **Contributors** (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
37	_____ _____ _____	\$ 7,500.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
38	_____ _____ _____	\$ 27,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
39	_____ _____ _____	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
40	_____ _____ _____	\$ 7,750.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
41	_____ _____ _____	\$ 22,660.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
42	_____ _____ _____	\$ 40,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization FREDERICK HEALTH HOSPITAL, INC.	Employer identification number 52-0591612
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Part I **Contributors** (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
43	_____	\$ 5,350.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
44	_____	\$ 5,273.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input checked="" type="checkbox"/> (Complete Part II for noncash contributions.)
45	_____	\$ 12,250.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
46	_____	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
47	_____	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
48	_____	\$ 20,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization FREDERICK HEALTH HOSPITAL, INC.	Employer identification number 52-0591612
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Part I **Contributors** (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
49	_____	\$ 47,065.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
50	_____	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
51	_____	\$ 5,992.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
52	_____	\$ 7,380.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
53	_____	\$ 7,500.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
54	_____	\$ 20,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization **FREDERICK HEALTH HOSPITAL, INC.**

Employer identification number
52-0591612

Part I **Contributors** (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
55		\$ 44,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
56		\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
57		\$ 30,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
58		\$ 7,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
59		\$ 200,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
60		\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization FREDERICK HEALTH HOSPITAL, INC.	Employer identification number 52-0591612
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Part I **Contributors** (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
61	_____	\$ 5,080.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
62	_____	\$ 14,757.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
63	_____	\$ 7,500.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
64	_____	\$ 6,368.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
65	_____	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
66	_____	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization **FREDERICK HEALTH HOSPITAL, INC.**

Employer identification number
52-0591612

Part I **Contributors** (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
67		\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
68		\$ 23,500.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
69		\$ 38,039.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
70		\$ 5,001.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
71		\$ 7,838.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input checked="" type="checkbox"/> (Complete Part II for noncash contributions.)
		\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization **FREDERICK HEALTH HOSPITAL, INC.**

Employer identification number

52-0591612

Part II **Noncash Property** (see instructions). Use duplicate copies of Part II if additional space is needed.

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (See instructions.)	(d) Date received
8	100 SHARES APPLE 200 SHARES NIKE 150 SHARES ORACLE	\$ 40,318.	11/28/2018
20	41 SHARES PNC FINANCIAL STOCK	\$ 5,801.	02/01/2019
29	75 SHARES EXXON MOBIL	\$ 5,460.	06/30/2019
45	203 SHARES BANK AMERICA CORP SHARES	\$ 5,273.	12/12/2018
73	50 SHARES OF JOHN DEERE STOCK	\$ 7,838.	09/20/2018
		\$	

Name of organization **FREDERICK HEALTH HOSPITAL, INC.**

Employer identification number
52-0591612

Part III **Exclusively religious, charitable, etc., contributions to organizations described in section 501(c)(7), (8), or (10) that total more than \$1,000 for the year from any one contributor.** Complete columns (a) through (e) and the following line entry. For organizations completing Part III, enter the total of *exclusively* religious, charitable, etc., contributions of **\$1,000 or less** for the year. (Enter this information once. See instructions.) ► \$ _____
Use duplicate copies of Part III if additional space is needed.

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
_____	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
_____		_____	
_____		_____	
_____		_____	
_____	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
_____		_____	
_____		_____	
_____		_____	
_____	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
_____		_____	
_____		_____	
_____		_____	
_____	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
_____		_____	
_____		_____	
_____		_____	

SCHEDULE C
(Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No. 1545-0047

2018

Open to Public Inspection

For Organizations Exempt From Income Tax Under section 501(c) and section 527

Department of the Treasury
Internal Revenue Service

▶ **Complete if the organization is described below.** ▶ **Attach to Form 990 or Form 990-EZ.**
▶ **Go to www.irs.gov/Form990 for instructions and the latest information.**

If the organization answered "Yes," on Form 990, Part IV, line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations: Complete Parts I-A and B. Do not complete Part I-C.
- Section 501(c) (other than section 501(c)(3)) organizations: Complete Parts I-A and C below. Do not complete Part I-B.
- Section 527 organizations: Complete Part I-A only.

If the organization answered "Yes," on Form 990, Part IV, line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)): Complete Part II-A. Do not complete Part II-B.
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)): Complete Part II-B. Do not complete Part II-A.

If the organization answered "Yes," on Form 990, Part IV, line 5 (Proxy Tax) (see separate instructions) or Form 990-EZ, Part V, line 35c (Proxy Tax) (see separate instructions), then

- Section 501(c)(4), (5), or (6) organizations: Complete Part III.

Name of organization FREDERICK HEALTH HOSPITAL, INC.	Employer identification number 52-0591612
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Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

- 1 Provide a description of the organization's direct and indirect political campaign activities in Part IV. (see instructions for definition of "political campaign activities")
- 2 Political campaign activity expenditures (see instructions) ▶ \$ _____
- 3 Volunteer hours for political campaign activities (see instructions) _____

Part I-B Complete if the organization is exempt under section 501(c)(3).

- 1 Enter the amount of any excise tax incurred by the organization under section 4955. ▶ \$ _____
- 2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ \$ _____
- 3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? Yes No
- 4a Was a correction made? Yes No
- b If "Yes," describe in Part IV.

Part I-C Complete if the organization is exempt under section 501(c), except section 501(c)(3).

- 1 Enter the amount directly expended by the filing organization for section 527 exempt function activities. ▶ \$ _____
- 2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities ▶ \$ _____
- 3 Total exempt function expenditures. Add lines 1 and 2. Enter here and on Form 1120-POL, line 17b ▶ \$ _____
- 4 Did the filing organization file **Form 1120-POL** for this year? Yes No
- 5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments. For each organization listed, enter the amount paid from the filing organization's funds. Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC). If additional space is needed, provide information in Part IV.

(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds. If none, enter -0-.	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization. If none, enter -0-.
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule C (Form 990 or 990-EZ) 2018

Part II-A Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).

A Check if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures).

B Check if the filing organization checked box A and "limited control" provisions apply.

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)															
b Total lobbying expenditures to influence a legislative body (direct lobbying)															
c Total lobbying expenditures (add lines 1a and 1b)															
d Other exempt purpose expenditures															
e Total exempt purpose expenditures (add lines 1c and 1d)															
f Lobbying nontaxable amount. Enter the amount from the following table in both columns.															
<table border="1"> <thead> <tr> <th>If the amount on line 1e, column (a) or (b) is:</th> <th>The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e.</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000.</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000.</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000.</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000.</td> </tr> </tbody> </table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e.	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.	Over \$17,000,000	\$1,000,000.		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e.														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.														
Over \$17,000,000	\$1,000,000.														
g Grassroots nontaxable amount (enter 25% of line 1f)															
h Subtract line 1g from line 1a. If zero or less, enter -0-															
i Subtract line 1f from line 1c. If zero or less, enter -0-															
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?			<input type="checkbox"/> Yes <input type="checkbox"/> No												

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the separate instructions for lines 2a through 2f.)

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2015	(b) 2016	(c) 2017	(d) 2018	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column (e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).

For each "Yes," response on lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.	(a)		(b)
	Yes	No	Amount
1 During the year, did the filing organization attempt to influence foreign, national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:			
a Volunteers?		X	
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		X	
c Media advertisements?		X	
d Mailings to members, legislators, or the public?		X	
e Publications, or published or broadcast statements?		X	
f Grants to other organizations for lobbying purposes?		X	
g Direct contact with legislators, their staffs, government officials, or a legislative body?		X	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X	
i Other activities?	X		24,293.
j Total. Add lines 1c through 1i			24,293.
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X	
b If "Yes," enter the amount of any tax incurred under section 4912			
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

	Yes	No
1 Were substantially all (90% or more) dues received nondeductible by members?	1	
2 Did the organization make only in-house lobbying expenditures of \$2,000 or less?	2	
3 Did the organization agree to carry over lobbying and political campaign activity expenditures from the prior year?	3	

Part III-B Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) and if either (a) BOTH Part III-A, lines 1 and 2, are answered "No," OR (b) Part III-A, line 3, is answered "Yes."

1 Dues, assessments and similar amounts from members	1	
2 Section 162(e) nondeductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
a Current year	2a	
b Carryover from last year.	2b	
c Total	2c	
3 Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues.	3	
4 If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5 Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV Supplemental Information

Provide the descriptions required for Part I-A, line 1; Part I-B, line 4; Part I-C, line 5; Part II-A (affiliated group list); Part II-A, lines 1 and 2 (see instructions); and Part II-B, line 1. Also, complete this part for any additional information.

SCHEDULE C, PART II-B, LINE 1I

EXPENSE IS A PORTION OF DUES PAID TO THE AMERICAN HOSPITAL ASSOCIATION,

MARYLAND HOSPITAL ASSOCIATION, NATIONAL HOSPICE AND PALLIATIVE CARE

ORGANIZATION, VISITING NURSES ASSOCIATIONS OF AMERICA AND HOSPICE &

PALLIATIVE CARE NETWORK OF MD.

Part IV Supplemental Information *(continued)*

SCHEDULE D (Form 990)

Supplemental Financial Statements

OMB No. 1545-0047

2018

Open to Public Inspection

Department of the Treasury Internal Revenue Service

Complete if the organization answered "Yes" on Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b.

Attach to Form 990.

Go to www.irs.gov/Form990 for instructions and the latest information.

Name of the organization

FREDERICK HEALTH HOSPITAL, INC.

Employer identification number

52-0591612

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts.

Complete if the organization answered "Yes" on Form 990, Part IV, line 6.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows include: 1 Total number at end of year, 2 Aggregate value of contributions to (during year), 3 Aggregate value of grants from (during year), 4 Aggregate value at end of year, 5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?, 6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit?

Part II Conservation Easements.

Complete if the organization answered "Yes" on Form 990, Part IV, line 7.

Table with 2 columns: Description, Held at the End of the Tax Year. Rows include: 1 Purpose(s) of conservation easements held by the organization (check all that apply), 2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year. (Sub-rows 2a-2d), 3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year, 4 Number of states where property subject to conservation easement is located, 5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?, 6 Staff and volunteer hours devoted to monitoring, inspecting, handling of violations, and enforcing conservation easements during the year, 7 Amount of expenses incurred in monitoring, inspecting, handling of violations, and enforcing conservation easements during the year, 8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)?, 9 In Part XIII, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.

Complete if the organization answered "Yes" on Form 990, Part IV, line 8.

Table with 2 columns: Description, Amount. Rows include: 1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items. 1b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items: (i) Revenue included on Form 990, Part VIII, line 1. (ii) Assets included in Form 990, Part X. 2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items: a Revenue included on Form 990, Part VIII, line 1. b Assets included in Form 990, Part X.

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule D (Form 990) 2018

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets *(continued)*

- 3** Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply):
- a** Public exhibition
 - b** Scholarly research
 - c** Preservation for future generations
 - d** Loan or exchange programs
 - e** Other _____
- 4** Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII.
- 5** During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? **Yes** **No**

Part IV Escrow and Custodial Arrangements.

Complete if the organization answered "Yes" on Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

- 1a** Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? **Yes** **No**
- b** If "Yes," explain the arrangement in Part XIII and complete the following table:
- | | Amount |
|--|-----------|
| c Beginning balance | 1c |
| d Additions during the year | 1d |
| e Distributions during the year | 1e |
| f Ending balance | 1f |
- 2a** Did the organization include an amount on Form 990, Part X, line 21, for escrow or custodial account liability? **Yes** **No**
- b** If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided on Part XIII

Part V Endowment Funds.

Complete if the organization answered "Yes" on Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance	976,177.	976,177.	976,177.	976,177.	976,177.
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance	976,177.	976,177.	976,177.	976,177.	976,177.

- 2** Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:
- a** Board designated or quasi-endowment ▶ _____ %
 - b** Permanent endowment ▶ 100.0000 %
 - c** Temporarily restricted endowment ▶ _____ %
- The percentages on lines 2a, 2b, and 2c should equal 100%.

- 3a** Are there endowment funds not in the possession of the organization that are held and administered for the organization by:
- | | Yes | No |
|---|---------------|----|
| (i) unrelated organizations | 3a(i) | X |
| (ii) related organizations | 3a(ii) | X |
| b If "Yes" on line 3a(ii), are the related organizations listed as required on Schedule R? | 3b | |

- 4** Describe in Part XIII the intended uses of the organization's endowment funds.

Part VI Land, Buildings, and Equipment.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		3,893,774.		3,893,774.
b Buildings		261,496,230.	111,613,690.	149,882,540.
c Leasehold improvements		27,951,940.	15,674,205.	12,277,735.
d Equipment		265,254,271.	215,303,903.	49,950,368.
e Other		9,293,334.		9,293,334.
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10c.)				225,297,751.

Part VII Investments - Other Securities.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other _____		
(A)		
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
Total. (Column (b) must equal Form 990, Part X, col. (B) line 12.) ►		

Part VIII Investments - Program Related.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

(a) Description of investment	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) INVESTMENTS IN SUBSIDIARIES	19,544,289.	FMV
(2) ASSETS LIMITED AS TO USE	4,326,518.	FMV
(3) INTERCOMPANY RECEIVABLES	5,136,626.	COST
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
Total. (Column (b) must equal Form 990, Part X, col. (B) line 13.) ►		

Part IX Other Assets.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11d. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1)	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 15.) ►	

Part X Other Liabilities.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Book value	
(1) Federal income taxes		
(2) ADVANCES FROM THIRD PARTIES	7,721,778.	
(3) INTEREST RATE SWAP CONTRACT	8,364,715.	
(4) PENSION LIABILITY	14,373,115.	
(5) MALPRACTICE INSURANCE LIABILITY	3,301,000.	
(6) CAPITAL LEASE OBLIGATIONS	1,218,767.	
(7) OTHER LIABILITIES	7,304,144.	
(8)		
(9)		
Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.) ►		42,283,519.

2. Liability for uncertain tax positions. In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740). Check here if the text of the footnote has been provided in Part XIII

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return.

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

Table with 5 main rows and sub-rows (a-e) for adjustments. Columns include descriptions, sub-headers (2a-2d, 4a-4b), and totals (1, 2e, 3, 4c, 5).

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

Table with 5 main rows and sub-rows (a-e) for adjustments. Columns include descriptions, sub-headers (2a-2d, 4a-4b), and totals (1, 2e, 3, 4c, 5).

Part XIII Supplemental Information.

Provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, lines 2d and 4b; and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

INTENDED USE OF ENDOWMENT FUNDS

SCHEDULE D, PART V, LINE 4

ENDOWMENT FUNDS ARE USED FOR HEALTH CARE SERVICES.

Part XIII Supplemental Information *(continued)*

**SCHEDULE F
(Form 990)**

Statement of Activities Outside the United States

OMB No. 1545-0047

2018

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ **Complete if the organization answered "Yes" on Form 990, Part IV, line 14b, 15, or 16.**
▶ **Attach to Form 990.**
▶ **Go to www.irs.gov/Form990 for instructions and the latest information.**

Name of the organization

FREDERICK HEALTH HOSPITAL, INC.

Employer identification number

52-0591612

Part I **General Information on Activities Outside the United States.** Complete if the organization answered "Yes" on Form 990, Part IV, line 14b.

1 For grantmakers. Does the organization maintain records to substantiate the amount of its grants and other assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? **Yes** **No**

2 For grantmakers. Describe in Part V the organization's procedures for monitoring the use of its grants and other assistance outside the United States.

3 Activities per Region. (The following Part I, line 3 table can be duplicated if additional space is needed.)

(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in the region	(d) Activities conducted in the region (by type) (such as, fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in the region	(f) Total expenditures for and investments in the region
(1) CENTRAL AMERICA/CARIBBEAN	1.	0.	INVESTMENTS		21,473,946.
(2) CENTRAL AMERICA/CARIBBEAN	1.	0.	PROGRAM SERVICES	SELF INSURANCE	4,177,260.
(3)					
(4)					
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					
(11)					
(12)					
(13)					
(14)					
(15)					
(16)					
(17)					
3a Subtotal	2.				25,651,206.
b Total from continuation sheets to Part I					
c Totals (add lines 3a and 3b)	2.				25,651,206.

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule F (Form 990) 2018

Part II Grants and Other Assistance to Organizations or Entities Outside the United States. Complete if the organization answered "Yes" on Form 990, Part IV, line 15, for any recipient who received more than \$5,000. Part II can be duplicated if additional space is needed.

1	(a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of noncash assistance	(h) Description of noncash assistance	(i) Method of valuation (book, FMV, appraisal, other)
(1)									
(2)									
(3)									
(4)									
(5)									
(6)									
(7)									
(8)									
(9)									
(10)									
(11)									
(12)									
(13)									
(14)									
(15)									
(16)									

2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter ▶ _____

3 Enter total number of other organizations or entities ▶ _____

Part III **Grants and Other Assistance to Individuals Outside the United States.** Complete if the organization answered "Yes" on Form 990, Part IV, line 16.
Part III can be duplicated if additional space is needed.

(a) Type of grant or assistance	(b) Region	(c) Number of recipients	(d) Amount of cash grant	(e) Manner of cash disbursement	(f) Amount of noncash assistance	(g) Description of noncash assistance	(h) Method of valuation (book, FMV, appraisal, other)
(1)							
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							
(8)							
(9)							
(10)							
(11)							
(12)							
(13)							
(14)							
(15)							
(16)							
(17)							
(18)							

Part IV Foreign Forms

- 1 Was the organization a U.S. transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation (see Instructions for Form 926)* **Yes** **No**

- 2 Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organization may be required to separately file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts, and/or Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner (see Instructions for Forms 3520 and 3520-A; don't file with Form 990)* **Yes** **No**

- 3 Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations (see Instructions for Form 5471)* **Yes** **No**

- 4 Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund (see Instructions for Form 8621)* **Yes** **No**

- 5 Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships (see Instructions for Form 8865)* **Yes** **No**

- 6 Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to separately file Form 5713, International Boycott Report (see Instructions for Form 5713; don't file with Form 990)* **Yes** **No**

Part V Supplemental Information

Provide the information required by Part I, line 2 (monitoring of funds); Part I, line 3, column (f) (accounting method; amounts of investments vs. expenditures per region); Part II, line 1 (accounting method); Part III (accounting method); and Part III, column (c) (estimated number of recipients), as applicable. Also complete this part to provide any additional information (see instructions).

PROCEDURES FOR MONITORING USE OF GRANTS

SCHEDULE F, PART I, LINE 2

THE HOSPITAL PROVIDES FUNDING TO A LOCAL COMMUNITY COLLEGE 501(C)(3) IN AN EFFORT TO ENHANCE ITS ALLIED HEALTH PROGRAM. THROUGH THIS PROGRAM A FORMAL EDUCATION FORUM IS ESTABLISHED RESULTING IN FULLY ACCREDITED PROGRAMS THAT MEET THE HOSPITAL'S NEEDS.

Part II Fundraising Events. Complete if the organization answered "Yes" on Form 990, Part IV, line 18, or reported more than \$15,000 of fundraising event contributions and gross income on Form 990-EZ, lines 1 and 6b. List events with gross receipts greater than \$5,000.

		(a) Event #1	(b) Event #2	(c) Other events	(d) Total events
		(event type)	(event type)	(total number)	(add col. (a) through col. (c))
Revenue	1	Gross receipts			
	2	Less: Contributions			
	3	Gross income (line 1 minus line 2)			
Direct Expenses	4	Cash prizes			
	5	Noncash prizes			
	6	Rent/facility costs			
	7	Food and beverages			
	8	Entertainment			
	9	Other direct expenses			
	10	Direct expense summary. Add lines 4 through 9 in column (d)			
11	Net income summary. Subtract line 10 from line 3, column (d)				

Part III Gaming. Complete if the organization answered "Yes" on Form 990, Part IV, line 19, or reported more than \$15,000 on Form 990-EZ, line 6a.

		(a) Bingo	(b) Pull tabs/instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (add col. (a) through col. (c))
		1	Gross revenue		
Direct Expenses	2	Cash prizes			
	3	Noncash prizes			
	4	Rent/facility costs			
	5	Other direct expenses			
	6	Volunteer labor	<input type="checkbox"/> Yes _____ % <input type="checkbox"/> No	<input type="checkbox"/> Yes _____ % <input type="checkbox"/> No	<input type="checkbox"/> Yes _____ % <input type="checkbox"/> No
7	Direct expense summary. Add lines 2 through 5 in column (d)				
8	Net gaming income summary. Subtract line 7 from line 1, column (d)				

9 Enter the state(s) in which the organization conducts gaming activities: _____

a Is the organization licensed to conduct gaming activities in each of these states? Yes No

b If "No," explain: _____

10a Were any of the organization's gaming licenses revoked, suspended, or terminated during the tax year? Yes No

b If "Yes," explain: _____

- 11 Does the organization conduct gaming activities with nonmembers? Yes No
- 12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? Yes No
- 13 Indicate the percentage of gaming activity conducted in:

a The organization's facility	13a	%
b An outside facility	13b	%
- 14 Enter the name and address of the person who prepares the organization's gaming/special events books and records:

Name ▶ _____

Address ▶ _____

- 15 a Does the organization have a contract with a third party from whom the organization receives gaming revenue? Yes No
- b If "Yes," enter the amount of gaming revenue received by the organization ▶ \$ _____ and the amount of gaming revenue retained by the third party ▶ \$ _____.
- c If "Yes," enter name and address of the third party:

Name ▶ _____

Address ▶ _____

16 Gaming manager information:

Name ▶ _____

Gaming manager compensation ▶ \$ _____

Description of services provided ▶ _____

- Director/officer
- Employee
- Independent contractor

17 Mandatory distributions:

- a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? Yes No
- b Enter the amount of distributions required under state law to be distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ▶ \$ _____

Part IV Supplemental Information. Provide the explanation required by Part I, line 2b, columns (iii) and (v), and Part III, lines 9, 9b, 10b, 15b, 15c, 16, and 17b, as applicable. Also provide any additional information (see instructions).

**SCHEDULE H
(Form 990)**

Hospitals

OMB No. 1545-0047

2018

Open to Public Inspection

▶ **Complete if the organization answered "Yes" on Form 990, Part IV, question 20.**

▶ **Attach to Form 990.**

▶ **Go to www.irs.gov/Form990 for instructions and the latest information.**

Department of the Treasury
Internal Revenue Service

Name of the organization

FREDERICK HEALTH HOSPITAL, INC.

Employer identification number

52-0591612

Part I Financial Assistance and Certain Other Community Benefits at Cost

	Yes	No
1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	X	
1b If "Yes," was it a written policy?	X	
2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year. <input type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities		
3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year.		
a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care: <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ %	X	
b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care: <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input checked="" type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %	X	
c If the organization used factors other than FPG in determining eligibility, describe in Part VI the criteria used for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care.		
4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	X	
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	X	
5b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	X	
5c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		X
6a Did the organization prepare a community benefit report during the tax year?	X	
6b If "Yes," did the organization make it available to the public?	X	

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			5,076,766.		5,076,766.	1.53
b Medicaid (from Worksheet 3, column a)			50,832,946.	53,546,294.	-2,713,348.	
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total. Financial Assistance and Means-Tested Government Programs			55,909,712.	53,546,294.	2,363,418.	1.53
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			3,875,584.	525,738.	3,349,846.	1.01
f Health professions education (from Worksheet 5)			50,000.		50,000.	.02
g Subsidized health services (from Worksheet 6)			18,014,794.		18,014,794.	5.43
h Research (from Worksheet 7)			421,073.	240,114.	180,959.	.05
i Cash and in-kind contributions for community benefit (from Worksheet 8)			76,552.		76,552.	.02
j Total. Other Benefits			22,438,003.	765,852.	21,672,151.	6.53
k Total. Add lines 7d and 7j			78,347,715.	54,312,146.	24,035,569.	8.06

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule H (Form 990) 2018

Part II Community Building Activities Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 Total						

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1		X
2 Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.	2		
3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3		
4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.			

Section B. Medicare

5 Enter total revenue received from Medicare (including DSH and IME)	5	135,414,427.
6 Enter Medicare allowable costs of care relating to payments on line 5	6	118,594,345.
7 Subtract line 6 from line 5. This is the surplus (or shortfall)	7	16,820,082.
8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

9a Did the organization have a written debt collection policy during the tax year?	9a	X	
b If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b	X	

Part IV Management Companies and Joint Ventures (owned 10% or more by officers, directors, trustees, key employees, and physicians - see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V Facility Information

Section A. Hospital Facilities

(list in order of size, from largest to smallest - see instructions)

How many hospital facilities did the organization operate during the tax year? 1

Name, address, primary website address, and state license number (and if a group return, the name and EIN of the subordinate hospital organization that operates the hospital facility)

1 FREDERICK HEALTH HOSPITAL
 400 WEST SEVENTH STREET
 FREDERICK MD 21701
 WWW.FREDERICKHEALTH.ORG
 210005

Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (describe)	Facility reporting group
X	X					X			

Part V Facility Information (continued)

Section B. Facility Policies and Practices

(complete a separate Section B for each of the hospital facilities or facility reporting groups listed in Part V, Section A)

Name of hospital facility or letter of facility reporting group FREDERICK HEALTH HOSPITAL

Line number of hospital facility, or line numbers of hospital facilities in a facility reporting group (from Part V, Section A): 1

Community Health Needs Assessment

Table with 3 columns: Question, Yes, No. Rows include questions 1 through 12b regarding CHNA requirements, community health needs assessment, and excise tax reporting.

Part V Facility Information (continued)

Financial Assistance Policy (FAP)

Name of hospital facility or letter of facility reporting group FREDERICK HEALTH HOSPITAL

		Yes	No
Did the hospital facility have in place during the tax year a written financial assistance policy that:			
13	Explained eligibility criteria for financial assistance, and whether such assistance included free or discounted care? If "Yes," indicate the eligibility criteria explained in the FAP:	X	
a	<input checked="" type="checkbox"/> Federal poverty guidelines (FPG), with FPG family income limit for eligibility for free care of <u>200.0000</u> % and FPG family income limit for eligibility for discounted care of <u>300.0000</u> %		
b	<input checked="" type="checkbox"/> Income level other than FPG (describe in Section C)		
c	<input type="checkbox"/> Asset level		
d	<input checked="" type="checkbox"/> Medical indigency		
e	<input type="checkbox"/> Insurance status		
f	<input type="checkbox"/> Underinsurance status		
g	<input type="checkbox"/> Residency		
h	<input checked="" type="checkbox"/> Other (describe in Section C)		
14	Explained the basis for calculating amounts charged to patients?	X	
15	Explained the method for applying for financial assistance? If "Yes," indicate how the hospital facility's FAP or FAP application form (including accompanying instructions) explained the method for applying for financial assistance (check all that apply):	X	
a	<input checked="" type="checkbox"/> Described the information the hospital facility may require an individual to provide as part of his or her application		
b	<input checked="" type="checkbox"/> Described the supporting documentation the hospital facility may require an individual to submit as part of his or her application		
c	<input checked="" type="checkbox"/> Provided the contact information of hospital facility staff who can provide an individual with information about the FAP and FAP application process		
d	<input checked="" type="checkbox"/> Provided the contact information of nonprofit organizations or government agencies that may be sources of assistance with FAP applications		
e	<input type="checkbox"/> Other (describe in Section C)		
16	Was widely publicized within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply):	X	
a	<input checked="" type="checkbox"/> The FAP was widely available on a website (list url): <u>SEE PART V, SECTION C</u>		
b	<input checked="" type="checkbox"/> The FAP application form was widely available on a website (list url): <u>SEE PART V, SECTION C</u>		
c	<input checked="" type="checkbox"/> A plain language summary of the FAP was widely available on a website (list url): <u>SEE PART V, SECTION C</u>		
d	<input checked="" type="checkbox"/> The FAP was available upon request and without charge (in public locations in the hospital facility and by mail)		
e	<input checked="" type="checkbox"/> The FAP application form was available upon request and without charge (in public locations in the hospital facility and by mail)		
f	<input checked="" type="checkbox"/> A plain language summary of the FAP was available upon request and without charge (in public locations in the hospital facility and by mail)		
g	<input checked="" type="checkbox"/> Individuals were notified about the FAP by being offered a paper copy of the plain language summary of the FAP, by receiving a conspicuous written notice about the FAP on their billing statements, and via conspicuous public displays or other measures reasonably calculated to attract patients' attention		
h	<input checked="" type="checkbox"/> Notified members of the community who are most likely to require financial assistance about availability of the FAP		
i	<input checked="" type="checkbox"/> The FAP, FAP application form, and plain language summary of the FAP were translated into the primary language(s) spoken by Limited English Proficiency (LEP) populations		
j	<input checked="" type="checkbox"/> Other (describe in Section C)		

Part V Facility Information (continued)

Billing and Collections

Name of hospital facility or letter of facility reporting group FREDERICK HEALTH HOSPITAL

		Yes	No
17	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained all of the actions the hospital facility or other authorized party may take upon nonpayment?	X	
18	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP:		
a	<input type="checkbox"/> Reporting to credit agency(ies)		
b	<input type="checkbox"/> Selling an individual's debt to another party		
c	<input type="checkbox"/> Deferring, denying, or requiring a payment before providing medically necessary care due to nonpayment of a previous bill for care covered under the hospital facility's FAP		
d	<input type="checkbox"/> Actions that require a legal or judicial process		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		
f	<input checked="" type="checkbox"/> None of these actions or other similar actions were permitted		
19	Did the hospital facility or other authorized party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged:		X
a	<input type="checkbox"/> Reporting to credit agency(ies)		
b	<input type="checkbox"/> Selling an individual's debt to another party		
c	<input type="checkbox"/> Deferring, denying, or requiring a payment before providing medically necessary care due to nonpayment of a previous bill for care covered under the hospital facility's FAP		
d	<input type="checkbox"/> Actions that require a legal or judicial process		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		
20	Indicate which efforts the hospital facility or other authorized party made before initiating any of the actions listed (whether or not checked) in line 19 (check all that apply):		
a	<input checked="" type="checkbox"/> Provided a written notice about upcoming ECAs (Extraordinary Collection Action) and a plain language summary of the FAP at least 30 days before initiating those ECAs (if not, describe in Section C)		
b	<input checked="" type="checkbox"/> Made a reasonable effort to orally notify individuals about the FAP and FAP application process (if not, describe in Section C)		
c	<input checked="" type="checkbox"/> Processed incomplete and complete FAP applications (if not, describe in Section C)		
d	<input checked="" type="checkbox"/> Made presumptive eligibility determinations (if not, describe in Section C)		
e	<input checked="" type="checkbox"/> Other (describe in Section C)		
f	<input type="checkbox"/> None of these efforts were made		

Policy Relating to Emergency Medical Care

		Yes	No
21	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that required the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	X	
If "No," indicate why:			
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Section C)		
d	<input type="checkbox"/> Other (describe in Section C)		

Part V Facility Information *(continued)*

Charges to Individuals Eligible for Assistance Under the FAP (FAP-Eligible Individuals)

Name of hospital facility or letter of facility reporting group FREDERICK HEALTH HOSPITAL

		Yes	No
22	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care.		
	a <input type="checkbox"/> The hospital facility used a look-back method based on claims allowed by Medicare fee-for-service during a prior 12-month period		
	b <input type="checkbox"/> The hospital facility used a look-back method based on claims allowed by Medicare fee-for-service and all private health insurers that pay claims to the hospital facility during a prior 12-month period		
	c <input type="checkbox"/> The hospital facility used a look-back method based on claims allowed by Medicaid, either alone or in combination with Medicare fee-for-service and all private health insurers that pay claims to the hospital facility during a prior 12-month period		
	d <input checked="" type="checkbox"/> The hospital facility used a prospective Medicare or Medicaid method		
23	During the tax year, did the hospital facility charge any FAP-eligible individual to whom the hospital facility provided emergency or other medically necessary services more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Section C.		X
24	During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Section C.		X

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

INPUT FROM COMMUNITY REPRESENTATIVES

SCHEDULE H, PART V, SECTION B, LINE 5

FREDERICK HEALTH HOSPITAL AND FREDERICK COUNTY HEALTH DEPARTMENT

PARTNERED WITH THE GEORGE WASHINGTON UNIVERSITY, MILKEN INSTITUTE SCHOOL

OF PUBLIC HEALTH, TO COLLECT QUALITATIVE DATA. DATA WAS COLLATED USING AN

IN-PERSON SURVEY AND SIX FACILITATED FOCUS GROUPS.

THE SURVEY WAS ADMINISTERED TO A REPRESENTATIVE SAMPLE OF FREDERICK

COUNTY RESIDENTS AND INCLUDED 83 QUESTIONS COVERING DEMOGRAPHICS,

ENVIRONMENTAL INFLUENCERS, HEALTH BEHAVIOR, HEALTH STATUS, HEALTH

PRIORITIES AND PERCEIVED BARRIERS TO CARE. A TOTAL OF 483 SURVEYS WERE

COLLECTED FROM GEOGRAPHIC COMMUNITIES THROUGHOUT FREDERICK COUNTY, AND

SURVEY SITES INCLUDED RETAIL LOCATIONS, HEALTH CARE FACILITIES, RELIGIOUS

ORGANIZATIONS, COMMUNITY CENTERS, SENIOR CENTERS, RECREATION CENTERS AND

A HUMAN SERVICE ORGANIZATION THAT SERVES SPANISH-SPEAKING RESIDENTS.

SIX TARGET POPULATIONS WERE IDENTIFIED FOR THE FOCUS GROUPS - SENIOR

CITIZENS, HEALTH CARE PROVIDERS, COMMUNITY HEALTH EDUCATORS,

SPANISH-SPEAKERS AND HOMELESS. FOCUS GROUP TOPICS EXPLORED THE ADVANTAGES

AND DISADVANTAGES OF LIVING IN FREDERICK COUNTY, AREAS FOR IMPROVEMENT,

BARRIERS TO CARE AND FAMILY HEALTH NEEDS. THE PROVIDER FOCUS GROUP ALSO

EXPLORED THE NEEDS OF THE COMMUNITY THEY CARE FOR, AND THE AVAILABILITY

AND ACCESSIBILITY OF HEALTH AND SUPPORTIVE SERVICES.

ADDITIONAL PUBLIC INPUT WAS RECEIVED UPON PUBLICATION OF THE 2016 CHNA

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

AND HEALTH IMPROVEMENT SUMMIT PRIORITIES REPORTS. WRITTEN REPORTS AND MATERIALS WERE POSTED ON FREDERICK HEALTH HOSPITAL AND FREDERICK COUNTY HEALTH DEPARTMENT WEB SITES, AND COMMUNITY FORUMS WERE HELD AT VARIOUS SITES, SUCH AS THE LIBRARY AND SENIOR CENTERS, TO SHARE THE FINDINGS OF THE CHNA PROCESS AND TO RESPOND TO QUESTIONS.

IN JULY 2018, THE PLANNING PROCESS FOR THE NEXT COMMUNITY HEALTH NEEDS ASSESSMENT CYCLE WAS INITIATED. ONCE AGAIN, FREDERICK HEALTH HOSPITAL PARTNERED WITH THE FREDERICK COUNTY HEALTH DEPARTMENT TO COLLECT QUALITATIVE DATA, SOLICIT COMMUNITY INPUT AND PRIORITIZE THE HEALTH NEEDS OF THE COMMUNITY. THE PLANNING PROCESS WAS STRUCTURED IN A SIMILAR MANNER TO THE 2016 PROCESS THAT IS DETAILED ABOVE. THE 2019 CHNA WAS PUBLISHED IN MAY, 2019 WITH AN IMPLEMENTATION STRATEGY TO BE INITIATED ON 7/1/2019.

SCHEDULE H, PART V, SECTION B, LINE 6B

THE 2016 CHNA WAS COMPLETED IN PARTNERSHIP WITH THE FREDERICK COUNTY HEALTH DEPARTMENT. OTHER COMMUNITY ORGANIZATIONS PARTICIPATED IN THE CHNA PLANNING PROCESS, INCLUDING DATA REVIEW AND INPUT ON PROCESS STEPS. THE CHNA PROCESS CONCLUDED WITH A HEALTH IMPROVEMENT PRIORITY SUMMIT OPEN TO THE PUBLIC. ORGANIZATIONS, OR THEIR REPRESENTATIVES, PARTICIPATING IN THE CHNA PROCESS INCLUDE:

- SENIOR CARE- AMADA SENIOR SERVICES, INDEPENDENT LIVING SERVICES, MONTEVUE/CITIZENS AUXILIARY

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

- NONPROFIT- THE FREDERICK WOMEN'S CIVIC CLUB, FREDERICK COUNTY HEALTH CARE COALITION, FEDERATED CHARITIES, WELLS HOUSE, VOLUNTEER MARYLAND, ON OUR OWN, THE CHILD ADVOCACY CENTER, MARYLAND 211, SAFE KIDS FREDERICK COUNTY, ASIAN AMERICAN FOUNDATION CENTER, COMMUNITY ACTION AGENCY

- GOVERNMENT- FREDERICK COUNTY GOVERNMENT, CITY OF FREDERICK COUNCIL, FREDERICK COUNTY PARKS & RECREATION, CITY OF MYERSVILLE, STATE OF MARYLAND PLANNING DIVISION

- PHILANTHROPY- UNITED WAY OF FREDERICK COUNTY, THE COMMUNITY FOUNDATION OF FREDERICK - BUSINESS- FREDERICK CHAMBER OF COMMERCE, BIOMEDICAL RESEARCH

- OTHERS- GRACE EPISCOPAL CHURCH, HOOD COLLEGE, EAST FREDERICK RISING ON JANUARY 15, 2019, A PRIORITY SETTING SUMMIT WAS CONVENED WITH REPRESENTATIVES OF THE COMMUNITY AS PART OF THE PLANNING PROCESS FOR THE 2019 CHNA. THE LIST OF PARTICIPANTS MIRRORS THOSE THAT ATTENDED THE 2016 SESSION.

SCHEDULE H, PART V, SECTION B, LINE 7A

[HTTPS://WWW.FREDERICKHEALTH.ORG/DOCUMENTS/2019-FREDERICK-COUNTY-CHNA-FINAL-5.1.19.PDF](https://www.frederickhealth.org/documents/2019-frederick-county-chna-final-5.1.19.pdf).

SCHEDULE H, PART V, SECTION B, LINE 8

EVEN THOUGH NOT IMPLEMENTED BY FISCAL YEAR END, AN IMPLEMENTATION STRATEGY REPORT WAS ADOPTED AND IMPLEMENTED IN SEPTEMBER 2019. THE 2019 IMPLEMENTATION STRATEGY IS POSTED ON THE HOSPITAL'S WEBSITE:
[HTTPS://WWW.FREDERICKHEALTH.ORG/DOCUMENTS/FMH-CHNA-IMPLEMENTATION-STRATEGY](https://www.frederickhealth.org/documents/fmh-chna-implementation-strategy)

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

-SIGNED-9-24-19.PDF

SCHEDULE H, PART V, SECTION B, LINE 10A

[HTTPS://WWW.FREDERICKHEALTH.ORG/DOCUMENTS/FMH-COMMUNITY-NEEDS-ASSESSMENT-IMPLEMENTATION-STRATEGY-2016.PDF](https://www.frederickhealth.org/documents/fmh-community-needs-assessment-implementation-strategy-2016.pdf)

SCHEDULE H, PART V, SECTION B, LINE 11

THE 2016 CHNA IDENTIFIED THREE HEALTH IMPROVEMENT PRIORITIES: BEHAVIORAL HEALTH, ELDERLY SUPPORT, AND ADVERSE CHILDHOOD EXPERIENCES. THE DATA IN THE CHNA IDENTIFIED THEMES THAT SHOULD BE CONSIDERED DEVELOPMENT OF FREDERICK HEALTH HOSPITALS' IMPLEMENTATION STRATEGIES - ACCESS, SERVICE NAVIGATION, AND HEALTH LITERACY.

FREDERICK HEALTH HOSPITAL WAS AN ACTIVE PARTICIPANT IN ALL THREE COMMUNITY WORKGROUPS CHARGED WITH THE RESPONSIBILITY FOR DEVELOPING AN ACTION PLAN FOR THE HEALTH IMPROVEMENT PRIORITIES. FREDERICK HEALTH HOSPITAL HAS ADOPTED IMPLEMENTATION STRATEGIES AROUND THE THREE PRIORITIES. THE STATUS OF THESE STRATEGIES AS OF JUNE 30, 2019 IS AS FOLLOWS.

BEHAVIORAL HEALTH:

- BEHAVIORAL HEALTH SPECIALISTS WERE EMBEDDED WITH HOSPITAL AFFILIATED PRACTICES. THE PRACTICES UTILIZED THE PHQ9 AND OTHER SCREENING TOOLS TO IDENTIFY PATIENTS WITH BEHAVIORAL HEALTH NEEDS. FOR THE REPORT PERIOD, BEHAVIORAL HEALTH SPECIALISTS ENCOUNTERED 857 UNIQUE PATIENTS WITH A

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

TOTAL OF 2061 INTERVENTIONS INCLUDING TELEPHONE CALLS, FACE TO FACE VISITS AND HOME VISITS.

- THROUGH A PARTNERSHIP WITH POTOMAC CASE MANAGEMENT, COMMUNITY CASE MANAGERS PROVIDE INTENSIVE COMMUNITY-BASED MANAGEMENT SERVICES FOR HIGH RISK CLIENTS. FOR THE REPORT PERIOD, 270 CLIENTS WERE ENGAGED IN CASE MANAGEMENT. ENGAGED CLIENTS HAD A 20% EMERGENCY DEPARTMENT RE-VISIT RATE, WHICH IS LOWER THAN HIGH RISK CLIENTS WHO DID NOT RECEIVE CASE MANAGEMENT.

- IN PARTNERSHIP WITH THE FREDERICK COUNTY HEALTH DEPARTMENT, PEER RECOVERY SUPPORT SPECIALISTS WERE EMBEDDED IN THE EMERGENCY DEPARTMENT TO ASSIST CLIENTS WITH SUBSTANCE USE DISORDER. PEER RECOVERY SPECIALISTS MET WITH 806 INDIVIDUALS DURING THIS REPORTING PERIOD FOR A TOTAL OF 1153 ENCOUNTERS. APPROXIMATELY 1 IN 3 INDIVIDUALS WERE CONNECTED WITH ADDITIONAL BEHAVIORAL HEALTH SERVICES; WHILE 1 IN 10 ACCESSED PEER SUPPORT SERVICES.

-THE HOSPITAL'S BRIDGES PROGRAM TRAINED COMMUNITY 14 HEALTH LAY EDUCATORS ABOUT COMMUNITY BASED CRISIS SERVICES. THE MAJORITY OF THOSE COMPLETING THE PROGRAM ARE MEMBERS OF FAITH BASED COMMUNITIES WHO ARE ABLE TO USE THIS INFORMATION AS THEY PROVIDE ONGOING EDUCATION AND SUPPORT TO OTHER MEMBERS OF THEIR COMMUNITY.

BEHAVIORAL HEALTH WAS IDENTIFIED AS A PRIORITY ONCE AGAIN IN 2019 AND HAS BEEN INCLUDED IN THE IMPLEMENTATION STRATEGY THAT HAS BEEN DEVELOPED AS PART OF THE 2019 CHNA PROCESS.

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

ELDERLY SUPPORT:

ESTABLISHMENT OF AN ALTERNATIVE PUBLIC TRANSPORTATION SERVICE MODEL FOR SENIOR CITIZENS WAS A PRIMARY GOAL OF THE COMMUNITY ACTION PLAN. LOCAL NONPROFIT ORGANIZATIONS FORMED A TRANSPORTATION AND MOBILE CARE TASK FORCE, WHICH SUBSEQUENTLY EXPANDED TO TRANSIT PROVIDERS AND OTHER AGENCIES INVOLVED IN TRANSPORTATION PLANNING. THIS COLLABORATION WAS LED BY A SENIOR LEADER AT FREDERICK HEALTH HOSPITAL WHO WAS IDENTIFYING TRANSPORTATION COORDINATION SOLUTIONS FOR PATIENTS NEEDING NON-EMERGENCY MEDICAL TRANSPORT TO APPOINTMENTS POST HOSPITAL DISCHARGE. THE TASK FORCE HAS EXPLORED TRANSPORTATION GRANTS AND FUNDING OPPORTUNITIES, EVALUATED ALTERNATIVE TRANSPORTATION SOLUTIONS AND COMPLETED AN INVENTORY OF TRANSPORTATION RESOURCES THAT EXIST IN THE COMMUNITY. FREDERICK HEALTH HOSPITAL SERVED AS AN ADVOCATE AND PARTICIPANT IN THE TASK FORCE, BUT OTHERS WITH EXPERTISE IN TRANSPORTATION, SUCH AS FREDERICK COUNTY TRANSIT, ARE RESPONSIBLE FOR IMPLEMENTATION STRATEGIES. FREDERICK HEALTH HOSPITAL HAS PROVIDED EDUCATIONAL RESOURCES AND PROGRAMMING TO ELDERLY CITIZENS IN THE COMMUNITY TO PROMOTE AGING IN PLACE AS PART OF THE ELDERLY SUPPORT WORKGROUP WHICH HAS COMPLETED ITS IMPLEMENTATION STRATEGY AS OF JUNE 30, 2019.

ADVERSE CHILDHOOD EVENTS:

INCREASING AWARENESS OF ADVERSE CHILDHOOD EVENTS (ACES) WAS THE PRIMARY FOCUS OF THE COMMUNITY ACTION PLAN. FREDERICK HEALTH HOSPITAL PEDIATRIC SERVICES PARTNERED WITH FREDERICK COUNTY HEALTH DEPARTMENT, CHILD ADVOCACY CENTER AND MENTAL HEALTH ASSOCIATION TO DELIVER AN AWARENESS

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

CAMPAIGN FOR PROVIDERS, COMMUNITY ORGANIZATION AND PUBLIC. THE GOAL OF THE CAMPAIGN WAS TO EXPLAIN WHAT ARE ACES AND THE CONDITIONS THAT LEAD TO ACES. AWARENESS IS A NECESSARY STEP TO GETTING ENGAGEMENT ACROSS GOVERNMENT AND PROVIDER ORGANIZATIONS, AS WELL AS TO ACTIVATE CITIZENS AND PARENTS.

THE GOAL OF INCREASED AWARENESS HAS BEEN MET, BUT BASED ON THE NEED TO IMPLEMENT PREVENTION AND TREATMENT MEASURES, ADVERSE CHILDHOOD EVENTS HAS AGAIN BEEN IDENTIFIED AS A COMMUNITY HEALTH PRIORITY IN THE 2019 CHNA. FREDERICK HELTH HOSPITAL WILL BE AN ACTIVE PARTICIPANT IN THIS WORKGROUP AND INCLUDE ACES IN ITS IMPLEMENTATION STRATEGY.

SCHEDULE H, PART V, SECTION B, LINE 13H

STATE REGULATIONS.

SCHEDULE H, PART V, SECTION B, LINE 16A

[HTTPS://WWW.FREDERICKHEALTH.ORG/DOCUMENTS/PDFS/FINANCIAL-ASSISTANCE-POLICY-100-UPDATED.PDF](https://www.frederickhealth.org/documents/pdfs/financial-assistance-policy-100-updated.pdf)

SCHEDULE H, PART V, SECTION B, LINE 16B

[HTTPS://WWW.FREDERICKHEALTH.ORG/DOCUMENTS/FA_327A.PDF](https://www.frederickhealth.org/documents/fa_327a.pdf)

SCHEDULE H, PART V, SECTION B, LINE 16C

[HTTPS://WWW.FREDERICKHEALTH.ORG/DOCUMENTS/PDFS/FINANCIAL-ASSISTANCE-BROCHURE-FINAL-\(REV-20180614\).PDF](https://www.frederickhealth.org/documents/pdfs/financial-assistance-brochure-final-(rev-20180614).pdf)

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

SCHEDULE H, PART V, SECTION B, LINE 16J

FHH REVIEWS THE FINANCIAL ASSISTANCE POLICY (FAP) AND THE COMMUNICATION METHODOLOGY WE EMPLOY ON A REGULAR BASIS TO MAKE SURE OUR PATIENTS HAVE EASY ACCESS TO THIS INFORMATION IN A VARIETY OF FORMATS AND THAT IT IS CULTURALLY AND LINGUISTICALLY SENSITIVE.

WE REVIEW THE FAP TO MAKE SURE THE READING COMPREHENSION LEVEL IS APPROPRIATE FOR OUR AUDIENCE AND WE PROVIDE ENGLISH AND SPANISH VERSIONS TO MEET THE NEEDS OF OUR CBSA. WE HAVE SERVICES AVAILABLE TO PROVIDE ANY OTHER LANGUAGES WHEN NEEDED.

THE FAP IS SHOWN ON OUR WEBSITE

([HTTPS://WWW.FREDERICKHEALTH.ORG/ABOUT/BILLING-AND-FINANCIAL-ASSISTANCE.AS
PX](https://www.frederickhealth.org/about/billing-and-financial-assistance.aspx)) AND IS OFFERED TO PATIENTS AS PART OF THE INTAKE PROCESS AT TIME OF REGISTRATION IN THE HOSPITAL AND IN THE EMERGENCY DEPARTMENT. OUR BILLING STATEMENTS REFERENCE OUR FINANCIAL ASSISTANCE POLICY AND INCLUDE THE URL FOR THE ONLINE VERSION. THE BILLING STATEMENTS ARE BEING UPDATED DURING FY18 TO INCLUDE DETAILED EXPLANATION OF THE FAP.

FHH PROVIDES ASSISTANCE TO OUR PATIENTS WHO NEED TO APPLY FOR GOVERNMENT BENEFITS WHEN APPROPRIATE. MOST COMMON EXAMPLES ARE "SELF-PAY" INPATIENTS WHO ADMIT THROUGH THE EMERGENCY DEPARTMENT AND PATIENTS WHO COME TO OUR PRENATAL CLINIC. WE HAVE A DEPARTMENT OF SOCIAL SERVICES REPRESENTATIVE ONSITE AT OUR PRENATAL CLINIC TO WORK DIRECTLY WITH THE PATIENTS.

Part V Facility Information *(continued)*

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

ALL PATIENTS RECEIVE THE PATIENT INFORMATION SHEET, AVAILABLE IN ENGLISH
AND SPANISH, WHICH INCLUDES INFORMATION ABOUT FINANCIAL ASSISTANCE.

SCHEDULE H, PART V, SECTION B, LINE 20E

PATIENTS WITH BALANCES GREATER THAN \$10,000 RECEIVE A SPECIAL LETTER
STATING THEY MAY QUALIFY FOR CHARITY AND REQUESTS THAT THEY CONTACT THE
HOSPITAL.

Part V Facility Information *(continued)*

Section D. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year? 7

Name and address	Type of Facility (describe)
1 FREDERICK HEALTH TOLL HOUSE 501 WEST SEVENTH STREET FREDERICK MD 21701	OUTPATIENT HEALTH CARE FACILITY
2 FREDERICK HEALTH MOUNT AIRY 504 E RIDGEVILLE BLVD MOUNT AIRY MD 21771	OUTPATIENT HEALTH CARE
3 FREDERICK HEALTH ROSEHILL 1562 OPPOSUMTOWN PIKE FREDERICK MD 21702	OUTPATIENT HEALTH CARE
4 FREDERICK HEALTH CRESTWOOD 7211 BANK COURT FREDERICK MD 21703	OUTPATIENT HEALTHCARE
5 FREDERICK HEALTH ASPEN RIDGE 163 THOMAS JOHNSON DRIVE, SUITE A FREDERICK MD 21702	OUTPATIENT REHABILITATION
6 FREDERICK HEALTH URBANA 3430 WORTHINGTON BLVD URBANA MD 21704	OUTPATIENT HEALTHCARE CENTER
7 FREDERICK HEALTH HOSPICE, INC. 516 TRAIL AVENUE FREDERICK MD 21701	HOSPICE CARE ORGANIZATION
8 	
9 	
10 	

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

CRITERIA FOR DETERMINING ELIGIBILITY FOR FREE OR DISCOUNTED CARE

SCHEDULE H, PART I, LINE 3C

IF THE PATIENT/GUARANTOR'S MONETARY ASSETS ARE ABOVE \$20,000, LESS THAN 100% FINANCIAL ASSISTANCE MAY BE PROVIDED. THE FINANCIAL ASSISTANCE COMMITTEE WILL REVIEW THESE CASES AND DETERMINE THE FINANCIAL ASSISTANCE AMOUNT.

COMMUNITY BENEFIT REPORT - RELATED ORGANIZATION

SCHEDULE H, PART I, LINE 6

THE 2019 COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) WAS CONDUCTED BY THE FREDERICK COUNTY HEALTH CARE COALITION (COALITION) TO IDENTIFY HEALTH ISSUES IN FREDERICK COUNTY AND TO PROVIDE CRITICAL INFORMATION TO THOSE IN A POSITION TO TAKE POSITIVE STEPS THAT WILL IMPACT THE HEALTH OF AREA RESIDENTS.

THE COALITION IS A NONPROFIT ORGANIZATION FORMED IN 2006 IN RESPONSE TO A NEED TO COORDINATE EFFORTS TO ADDRESS BARRIERS TO HEALTH CARE ACCESS. THE COALITION'S MISSION IS TO PROMOTE QUALITY HEALTH CARE IN FREDERICK COUNTY

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
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- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

THROUGH COLLECTIVE IMPACT EFFORTS THAT ENGAGE LOCAL ORGANIZATIONS AND
CITIZENRY. A CORE RESPONSIBILITY OF THE COALITION IS THE COMPLETION OF A
PERIODIC ASSESSMENT THAT INFORMS AND ENGAGES THE COMMUNITY IN HEALTH
IMPROVEMENT INITIATIVES. THE ASSESSMENT PROCESS IS REPEATED EVERY THREE
YEARS TO REFLECT CHANGING LOCAL CONDITIONS.

DISCLOSURE IDENTIFYING COSTS

SCHEDULE H, PART I, LINE 6

COSTS INCLUDE HOSPITALIST AND INTENSIVIST SERVICES. ALSO INCLUDES CALL
COVERAGE FOR OBSTETRICS, EMERGENCY DEPARTMENT AND PRENATAL AND MENTAL
HEALTH OUTPATIENT SERVICES.

TEXT OF BAD DEBT EXPENSE FOOTNOTE

SCHEDULE H, PART III, LINE 4

BAD DEBT VALUATION WAS CALCULATED USING THE COST-TO-CHARGE RATIO DERIVED
FROM WORKSHEET 2. WE ESTIMATE APPROXIMATELY 7.5% OF BAD DEBT EXPENSE IS
ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER OUR FINANCIAL ASSISTANCE POLICY.
WE CONTINUE OUR EFFORTS TO QUALIFY PATIENTS FOR FREE OR REDUCED CARE.

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
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MEDICARE COSTING METHODOLOGY

SCHEDULE H, PART III, LINE 8

MEDICARE PS&R REPORTS USED AS SOURCE OF COSTS AND PAYMENTS.

APPLICATION OF COLLECTION PRACTICES TO THOSE QUALIFYING FOR FINANCIAL ASSISTANCE

SCHEDULE H, PART III, LINE 9B

PATIENTS WHO QUALIFY FOR CHARITY CARE OR FINANCIAL ASSISTANCE ARE SPECIFICALLY EXCLUDED FROM THE COLLECTION PROCESS.

NEEDS ASSESSMENT

SCHEDULE H, PART VI, LINE 2

FREDERICK HEALTH HOSPITAL AND THE FREDERICK COUNTY HEALTH DEPARTMENT COLLABORATED ON THE CHNA PROCESS, BUT IMPLEMENTED THE COMMUNITY PLANNING PROCESS THROUGH THE FREDERICK COUNTY HEALTH CARE COALITION. THE COALITION IS A NONPROFIT ORGANIZATION WHOSE MISSION IS TO PROMOTE QUALITY HEALTH CARE IN FREDERICK COUNTY THROUGH COLLECTIVE IMPACT EFFORTS THAT ENGAGE LOCAL ORGANIZATIONS AND CITIZENRY. THE COALITION MEMBERS INCLUDE

Part VI Supplemental Information

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- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
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FREDERICK HEALTH HOSPITAL, THE FREDERICK COUNTY HEALTH DEPARTMENT,
COMMUNITY ORGANIZATIONS AND WORKGROUP LEADERS FROM THE 2013-2016 HEALTH
IMPROVEMENT PRIORITIES.

THE COALITION APPOINTED AN AD-HOC CHNA PLANNING COMMITTEE COMPRISED OF
COALITION BOARD MEMBERS AND INTERESTED COMMUNITY AGENCIES. THIS GROUP HAD
OVERSIGHT RESPONSIBILITY FOR THE CHNA PROCESS STEPS AND REVIEWED THE
COMPONENTS AS THEY WERE ACCOMPLISHED. DATA COLLECTION AND ANALYSIS WERE
CONDUCTED BY STAFF FROM FREDERICK HEALTH HOSPITAL AND FREDERICK COUNTY
HEALTH DEPARTMENT, AND UNDER CONTRACT WITH THE GEORGE WASHINGTON
UNIVERSITY, MILKEN INSTITUTE SCHOOL OF PUBLIC HEALTH.

THE CHNA INCLUDED COLLATION OF DATA FROM PRIMARY (QUALITATIVE) AND
SECONDARY (QUANTITATIVE) SOURCES. QUALITATIVE DATA PROVIDES INSIGHT ABOUT
THE PERSPECTIVE AND PRIORITY OF HEALTH ISSUES AND SOCIAL DETERMINANTS BY
THE FREDERICK COUNTY POPULATION.

QUANTITATIVE DATA FOCUSES ON HEALTH OUTCOME INDICATORS GATHERED FROM

Part VI Supplemental Information

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- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
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RELIABLE PUBLIC RESOURCES, AND WHERE POSSIBLE, INCLUDES DATA ON HEALTH DISPARITIES. IN ADDITION TO PUBLIC DATA SOURCES, FREDERICK HEALTH HOSPITAL ALSO PROVIDED AGGREGATE DATA ON COMMUNITY UTILIZATION OF ACUTE CARE SERVICES BY GEOGRAPHY, DIAGNOSIS AND PAYER SOURCE.

QUALITATIVE DATA WAS COLLECTED THROUGH FOCUS GROUPS AND IN PERSON SURVEYS. A TOTAL OF 483 RESIDENTS SUBMITTED SURVEYS AND SIX FOCUS GROUPS WERE CONDUCTED. SOURCES OF QUANTITATIVE DATA USED IN ASSESSMENT INCLUDE, BUT WERE NOT LIMITED TO, HEALTHY PEOPLE 2020, MARYLAND BEHAVIORAL RISK SURVEILLANCE SYSTEM, MARYLAND DEPARTMENT OF HEALTH AND MENTAL HYGIENE VITAL STATISTIC REPORTS, US CENSUS BUREAU QUICK FACTS AND MARYLAND STATE HEALTH IMPROVEMENT PLAN. WHERE POSSIBLE, FREDERICK COUNTY DATA WAS BENCHMARKED AGAINST HEALTH OUTCOME DATA FROM THESE SOURCES.

FOLLOWING THE DATA ANALYSIS COMPONENT OF THE CHNA, A PUBLIC SUMMIT WAS HELD TO REVIEW THE FINDINGS AND TO SEEK INPUT ON ESTABLISHING PRIORITIES. THE SUMMIT WAS OPEN TO THE GENERAL PUBLIC AND ATTENDED BY MORE THAN 100 PERSONS REPRESENTING COMMUNITY ORGANIZATIONS, ADVOCACY GROUPS AND

Part VI Supplemental Information

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PROVIDERS. THE PROCESS INCLUDED PRESENTATIONS, DISCUSSION AND A MULTI-VOTING METHOD TO DETERMINE THE TOP THREE PRIORITIES. AT THE CONCLUSION OF THE SUMMIT, INTERESTED PERSONS WERE ASKED TO JOIN A FACILITATED SMALL GROUP MEETING FOR EACH OF THE THREE PRIORITIES TO ESTABLISH WORKGROUP LEADERS AND CONTACT INFO FOR COMMUNITY PARTICIPANTS.

THIS PROCESS WAS REPEATED BETWEEN JULY, 2018 AND MAY, 2019 TO DEVELOP A CHNA REPORT AND IMPLEMENTATION STRATEGY FOR 2019-2021.

COMMUNITY INFORMATION

SCHEDULE H, PART VI, LINE 4

THE SERVICE AREA FOR FREDERICK HEALTH HOSPITAL IS DEFINED BY WRITTEN AGREEMENT WITH THE MARYLAND HEALTH SERVICES COST REVIEW COMMISSION, THE DESIGNATED STATE ENTITY CHARGED WITH OVERSIGHT OF COMMUNITY BENEFITS AND HOSPITAL RATES. THE SERVICE AREA IS DETERMINED BASED ON INPATIENT UTILIZATION BY ZIP CODE - FREDERICK COUNTY COMPRISES THE HOSPITALS' PRIMARY AND SECONDARY SERVICE AREAS.

Part VI Supplemental Information

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- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
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THE MOST VULNERABLE POPULATION IN FREDERICK COUNTY ARE LOCATED IN THE CITY OF FREDERICK, WHICH IS ANCHORED GEOGRAPHICALLY CENTERED IN THE COUNTY AND ACCESS BY MAJOR INTERSTATE ROUTES FROM BALTIMORE, MARYLAND AND THE DISTRICT OF COLUMBIA. HEALTH DISPARITY POPULATIONS ARE FOUND IN EMMITSBURG AND THURMONT ZIP CODES IN THE NORTHERN SECTOR OF THE COUNTY, AND BRUNSWICK TO THE SOUTH. DATA COLLECTED BY THE US CENSUS BUREAU AND MARYLAND VITAL STATISTICS OFFERS THE FOLLOWING DEMOGRAPHIC PROFILE OF FREDERICK COUNTY AS OF 7/1/18:

- TOTAL POPULATION - 255,648
- 50.7% FEMALE
- 82.9% WHITE
- 14.5 % ARE PERSONS OVER AGE 65
- AVERAGE HOUSEHOLD INCOME OF \$91,999/YR
- 6.2 % OF HOUSEHOLDS BELOW THE FEDERAL POVERTY GUIDELINES
- 4.8% ARE UNINSURED AND 13.5% ARE MEDICAID RECIPIENTS
- 92.4 % GRADUATED FROM HIGH SCHOOL AND 40.6 % HAVE BACHELOR'S DEGREES.

Part VI Supplemental Information

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PROMOTION OF COMMUNITY HEALTH

SCHEDULE H, PART VI, LINE 5

FOR THE REPORT PERIOD, FREDERICK HEALTH HOSPITAL PROMOTED COMMUNITY

HEALTH THROUGH THE FOLLOWING INITIATIVES:

- CARE TRANSITIONS: THIS PROGRAM PROVIDES INTENSIVE COMMUNITY-BASED CARE MANAGEMENT SERVICES TO INDIVIDUALS WITH CHRONIC CONDITIONS THAT HAVE LIMITED ACCESS TO CARE OR ARE CHALLENGED TO MEET SOCIAL DETERMINANTS OF HEALTH. THE PROGRAM GOAL IS REDUCE UNNECESSARY HOSPITAL UTILIZATION AND IMPROVE INDIVIDUAL HEALTH. HISTORICALLY, THESE PATIENTS RECEIVED LITTLE GUIDANCE RELATIVE TO FOLLOW-UP WITH PHYSICIANS, FILLING AND TAKING THEIR PRESCRIBED MEDICATIONS, AND MAKING APPOINTMENTS FOR OTHER SERVICES. PATIENTS WITH A HIGH EMERGENCY DEPARTMENT VISIT RATE OR THOSE RETURNING TO THE HOSPITAL WITHIN 30 DAYS OF DISCHARGE MEET WITH A CASE MANAGER TO IDENTIFY THE ROOT CAUSES OF WHY THE PATIENT RETURNED TO THE HOSPITAL FOR CARE. AN INDIVIDUALIZED COMPREHENSIVE CARE PLAN IS CREATED TO MEET THE SPECIFIC PATIENT NEEDS, SUCH AS FINANCIAL SUPPORT FOR MEDICATIONS, TRANSPORTATION AND OTHER MEDICAL AND SOCIAL SUPPORT SERVICES IN THE

Part VI Supplemental Information

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- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

COMMUNITY. DURING THE REPORT PERIOD, 6335 PATIENTS RECEIVED HOME OR
COMMUNITY-BASED INTERVENTIONS FROM THE CARE TRANSITIONS CLINICAL TEAM.

- COMMUNITY HEALTH FAIR: FREDERICK HEALTH HOSPITAL PARTNERS WITH THE
ASIAN AMERICAN CENTER OF FREDERICK TO CONDUCT A COMMUNITY HEALTH FAIR
THAT INCLUDES HEALTH EDUCATION, HEALTH NAVIGATION SERVICES, VACCINATION
AND SCREENINGS FOR FREDERICK COUNTY RESIDENTS WITH A FOCUS ON UNDERSERVED
AND UNDERINSURED POPULATIONS WHO MAY NOT HAVE ACCESS TO HEALTH CARE. FLU
VACCINES, BLOOD GLUCOSE AND CHOLESTEROL SCREENINGS, BONE DENSITY
SCREENING, WOMEN'S HEALTH EDUCATION, PEDIATRIC ASTHMA EDUCATION, CHRONIC
DISEASE PREVENTION EDUCATION AND RESULTS COUNSELING WERE PROVIDED BY
HOSPITAL EMPLOYEES TO APPROXIMATELY 800 ATTENDEES.

- LAY HEALTH EDUCATORS: THE BRIDGES PROGRAM WAS DEVELOPED IN RESPONSE TO
AN IDENTIFIED NEED FOR TRUSTED HEALTH ADVOCATES WHO COULD PROVIDE HEALTH
CARE INFORMATION, IMPROVE HEALTH LITERACY, AND FACILITATE ACCESS TO
RESOURCES AND CARE. THE LAY EDUCATORS SERVE FREDERICK COUNTY RESIDENTS
WHO ARE ETHNIC AND CULTURAL MINORITIES, THOSE WITH LIMITED ENGLISH

Part VI Supplemental Information

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PROFICIENCY, SENIOR CITIZENS OR PERSONS WHO LIVE IN ISOLATED GEOGRAPHIC AREAS. FOR THE REPORT PERIOD, 14 LAY HEALTH EDUCATORS COMPLETED THE BRIDGES TRAINING PROGRAM. THE EDUCATORS ARE AFFILIATED WITH FAITH AND COMMUNITY ORGANIZATIONS THROUGHOUT FREDERICK COUNTY.

- PRENATAL CENTER: THE PRENATAL CENTER CARES FOR WOMEN WITH NO INSURANCE OR WHO HAVE MEDICAID BUT ARE NOT ABLE TO OBTAIN CARE FROM PRIVATE PRACTICE PROVIDERS. MANY OF THESE WOMEN ARE HIGH RISK PATIENTS, AND PRESENT WITH MEDICAL CONDITIONS FOR WHICH THEY MAY BE UNAWARE AND POSE SIGNIFICANT RISK TO FULL TERM HEALTHY FETAL DEVELOPMENT. PATIENTS MAY BE SELF-REFERRED OR REFERRED BY THE FREDERICK COUNTY HEALTH DEPARTMENT, MISSION OF MERCY, PRIVATE PHYSICIANS OR OTHER COMMUNITY GROUPS. DURING THE REPORT PERIOD, THERE WERE 297 NEWLY ENROLLED MATERNITY PATIENTS.

- PHYSICIAN SERVICES: FREDERICK HEALTH HOSPITAL CONTRACTS FOR PROFESSIONAL SERVICES TO CARE FOR ACUTE CARE NEEDS FOR WHICH THERE ARE NO COMMUNITY PROVIDERS. THESE SERVICES INCLUDE HOSPITALIST CARE, INTENSIVE CARE, OBSTETRICAL LABORISTS, NEONATOLOGY, NEUROLOGY, INPATIENT

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

PEDIATRICS, PEDIATRIC OPHTHALMOLOGY, ANESTHESIA, EMERGENCY MEDICINE AND INTERVENTIONAL CARDIOLOGY.

FREDERICK COUNTY HAS A SHORTAGE OF PRIMARY CARE PROVIDERS. MOST PRIMARY CARE PHYSICIANS LIMIT PATIENT CARE TO THEIR OFFICES, THEREFORE THEY DO NOT MAINTAIN HOSPITAL PRIVILEGES TO CARE FOR PATIENTS WHO REQUIRE EMERGENCY OR INPATIENT SERVICES. IN ORDER TO SUPPORT ADEQUATE SERVICES, FREDERICK HEALTH HOSPITAL CONTRACTS FOR HOSPITALISTS AND INTENSIVISTS TO PROVIDE NECESSARY CARE COORDINATION FOR COMMUNITY RESIDENTS WHO DO NOT HAVE A PRIMARY CARE PHYSICIAN OR HAVE A PHYSICIAN WHO DOES NOT PROVIDE HOSPITAL COVERAGE.

FREDERICK HEALTH HOSPITAL ALSO CONTRACTS FOR SPECIALTY COVERAGE TO CARE FOR PATIENTS PRESENTING TO THE EMERGENCY DEPARTMENT AND FOR THOSE NEEDING INPATIENT CARE. CONTRACTED SERVICES INCLUDE ANESTHESIOLOGY, BARIATRIC SURGERY, CARDIOLOGY, OTOLARYNGOLOGY, GASTROENTEROLOGY, GENERAL DENTISTRY, GENERAL SURGERY, HEMATOLOGY/ONCOLOGY, INTERVENTIONAL CARDIOLOGY, NEPHROLOGY, NEUROLOGY, OPHTHALMOLOGY, ORAL SURGERY, ORTHOPEDICS,

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

PEDIATRICS, PLASTIC SURGERY, PULMONARY MEDICINE, UROLOGY, VASCULAR

SURGERY AND NEUROSURGERY.

WITHOUT SUBSIDIES TO COMPENSATE PROVIDERS FOR THIS COVERAGE, COMMUNITY
MEDICAL PRACTICES WOULD NOT BE ABLE TO RECRUIT A SUFFICIENT NUMBER OF
PERSONNEL TO PROVIDE 24/7 SERVICES.

AFFILIATED HEALTH CARE SYSTEM

SCHEDULE H, PART VI, LINE 6

FREDERICK HEALTH HOSPITAL, INC. ('FHH') IS A PRIVATE, NON-STOCK,
NOT-FOR-PROFIT 501(C)(3) MARYLAND CORPORATION ORGANIZED IN 1897. AS OF
JULY 1, 2011, FREDERICK HEALTH, INC. (F.K.A. FREDERICK REGIONAL HEALTH
SYSTEM) BECAME THE PARENT CORPORATION UNDER WHICH THE ENTITIES DESCRIBED
BELOW EXIST AND OPERATE.

FREDERICK HEALTH, INC. IS GOVERNED BY A SIXTEEN MEMBER BOARD OF
DIRECTORS. THE BOARD MEETS MONTHLY, WITH ELECTION OF OFFICERS AND MEMBERS
OCCURRING AT THE SEPTEMBER MEETING. MUCH OF THE BOARD'S WORK IS

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

ACCOMPLISHED THROUGH STANDING COMMITTEES, INCLUDING THE EXECUTIVE, FINANCE, GOVERNANCE, EXECUTIVE COMPENSATION, JOINT CONFERENCE (WITH MEDICAL STAFF), PLANNING, AND HOSPITAL PERFORMANCE REVIEW COMMITTEES.

FREDERICK HEALTH HOSPITAL IS A 298-BED ACUTE CARE HOSPITAL LOCATED IN FREDERICK, MARYLAND, APPROXIMATELY 50 MILES WEST OF BALTIMORE AND 45 MILES NORTHWEST OF WASHINGTON D. C. THE HOSPITAL OPENED IN 1902 AND IS CURRENTLY THE ONLY ACUTE CARE HOSPITAL IN FREDERICK COUNTY AND THE ONLY ACUTE CARE HOSPITAL WITHIN A 25-MILE RADIUS OF THE CITY OF FREDERICK.

THE MAIN CAMPUS OF THE HOSPITAL IS LOCATED ON AN APPROXIMATELY 15.85-ACRE SITE IN FREDERICK, MARYLAND. THE TOTAL SQUARE FOOTAGE OF THE HOSPITAL IS APPROXIMATELY 596,000 SQUARE FEET. FHH'S HOSPITAL-BASED AND OFF-SITE OUTPATIENT SERVICES ACCOUNT FOR OVER 350,000 VISITS ANNUALLY INCLUDING HOME HEALTH SERVICES, WHICH MAKES APPROXIMATELY 35,000 VISITS PER YEAR. IN ADDITION, HOSPITAL-BASED HOSPICE SERVICES HANDLE APPROXIMATELY 15,000 VISITS PER YEAR.

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

FREDERICK HEALTH, INC. IS THE PARENT CORPORATION FOR FREDERICK HEALTH MEDICAL GROUP, LLC, A PHYSICIAN LED ENTERPRISE COMPOSED OF THE FOLLOWING HEALTH SYSTEM OWNED PRACTICES FREDERICK HEALTH, INC. PROVIDES A FULL RANGE OF ACUTE CARE SERVICES INCLUDING: MEDICINE, SURGERY, OBSTETRICS, GYNECOLOGY, PEDIATRICS, INTENSIVE CARE, CORONARY CARE, INTERVENTIONAL CARDIOLOGY, PRIMARY STROKE PROGRAM, WOUND CARE, JOINT REPLACEMENT PROGRAM, CYBERKNIFE RADIOSURGERY CENTER, PSYCHIATRIC CARE, MEDICAL FITNESS, WELLNESS PROGRAM/CENTER AND EMERGENCY SERVICES. IN ADDITION, FREDERICK HEALTH, INC. PROVIDES A COMPREHENSIVE RANGE OF OUTPATIENT SERVICES, INCLUDING: EMERGENCY MEDICINE, OUTPATIENT SURGERY, HOME HEALTH, RADIATION THERAPY, MRI, PET AND CT SCANNING, MEDICAL ONCOLOGY, AND COMPREHENSIVE WOMEN'S SERVICES. THROUGH THE SATELLITE LOCATIONS AND OUTPATIENT CENTERS, THE HEALTH SYSTEM PROVIDES: URGENT CARE, LABORATORY, DIAGNOSTIC RADIOLOGY, AMBULATORY SURGERY, VASCULAR IMAGING, REHABILITATION SERVICES, PAIN AND PALLIATIVE CARE.

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

STATE FILING OF COMMUNITY BENEFIT REPORT

SCHEDULE H, PART VI, LINE 7

MARYLAND.

**SCHEDULE I
(Form 990)**

**Grants and Other Assistance to Organizations,
Governments, and Individuals in the United States**

OMB No. 1545-0047

2018

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

Complete if the organization answered "Yes" on Form 990, Part IV, line 21 or 22.

▶ Attach to Form 990.

▶ Go to www.irs.gov/Form990 for the latest information.

Name of the organization

FREDERICK HEALTH HOSPITAL, INC.

Employer identification number

52-0591612

Part I General Information on Grants and Assistance

- Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? Yes No
- Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States.

Part II Grants and Other Assistance to Domestic Organizations and Domestic Governments. Complete if the organization answered "Yes" on Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

1 (a) Name and address of organization or government	(b) EIN	(c) IRC section (if applicable)	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of noncash assistance	(h) Purpose of grant or assistance
(1) FREDERICK COMMUNITY COLLEGE 7932 OPOSSUMTOWN PIKE FREDERICK, MD 21702	52-0743590	501(C)(3)	50,000.				SUPPORT OF ALLIED HEALTH PROGRAM
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							
(8)							
(9)							
(10)							
(11)							
(12)							

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table ▶ 1.

3 Enter total number of other organizations listed in the line 1 table ▶

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule I (Form 990) (2018)

Part III Grants and Other Assistance to Domestic Individuals. Complete if the organization answered "Yes" on Form 990, Part IV, line 22.
Part III can be duplicated if additional space is needed.

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance
1					
2					
3					
4					
5					
6					
7					

Part IV Supplemental Information. Provide the information required in Part I, line 2, Part III, column (b); and any other additional information.

PROCEDURES FOR MONITORING THE USE OF GRANTS

FORM 990, SCHEDULE I, PART I, LINE 2

THE HOSPITAL PROVIDES FUNDING TO A LOCAL COMMUNITY COLLEGE 501(C)(3) IN AN EFFORT TO ENHANCE ITS ALLIED HEALTH PROGRAM. THROUGH THIS PROGRAM A FORMAL EDUCATION FORUM IS ESTABLISHED RESULTING IN FULLY ACCREDITED PROGRAMS THAT MEET THE HOSPITAL'S NEEDS.

**SCHEDULE J
(Form 990)**

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

- ▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 23.
- ▶ Attach to Form 990.
- ▶ Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2018

**Open to Public
Inspection**

Name of the organization

FREDERICK HEALTH HOSPITAL, INC.

Employer identification number

52-0591612

Part I Questions Regarding Compensation

1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed on Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.

- | | |
|--|--|
| <input type="checkbox"/> First-class or charter travel | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account | <input type="checkbox"/> Personal services (such as maid, chauffeur, chef) |

b If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain

2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, and officers, including the CEO/Executive Director, regarding the items checked on line 1a?

3 Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III.

- | | |
|---|---|
| <input checked="" type="checkbox"/> Compensation committee | <input checked="" type="checkbox"/> Written employment contract |
| <input checked="" type="checkbox"/> Independent compensation consultant | <input checked="" type="checkbox"/> Compensation survey or study |
| <input type="checkbox"/> Form 990 of other organizations | <input checked="" type="checkbox"/> Approval by the board or compensation committee |

4 During the year, did any person listed on Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:

- a** Receive a severance payment or change-of-control payment?
 - b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?
 - c** Participate in, or receive payment from, an equity-based compensation arrangement?
- If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.

Only section 501(c)(3), 501(c)(4), and 501(c)(29) organizations must complete lines 5-9.

5 For persons listed on Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:

- a** The organization?
 - b** Any related organization?
- If "Yes" on line 5a or 5b, describe in Part III.

6 For persons listed on Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:

- a** The organization?
 - b** Any related organization?
- If "Yes" on line 6a or 6b, describe in Part III.

7 For persons listed on Form 990, Part VII, Section A, line 1a, did the organization provide any nonfixed payments not described on lines 5 and 6? If "Yes," describe in Part III.

8 Were any amounts reported on Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III.

9 If "Yes" on line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
1a		
1b		
2		
3		
4a		X
4b	X	
4c		X
5a		X
5b		X
6a		X
6b		X
7		X
8		X
9		

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule J (Form 990) 2018

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported on Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that aren't listed on Form 990, Part VII.

Note: The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual.

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation in column (B) reported as deferred on prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
1	THOMAS A. KLEINHANZL PRESIDENT AND CEO	(i) 1,783,095.	294,150.	1,794.	296,960.	20,666.	2,396,665.	993,242.
	(ii)	0.	0.	0.	0.	0.	0.	0.
2	DUSTIN M. SIMONSON ONCOLOGY MEDICAL PHYSICIST	(i) 219,041.	217.	180.	16,809.	15,850.	252,097.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
3	JAMES BLAKE TRUMBLE MEDICAL DIRECTOR (ENDED 11/18)	(i) 217,935.	0.	244.	18,119.	12,012.	248,310.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
4	CARLOS T GRAVERAN DIRECTOR OF HOSPICE	(i) 177,708.	25,489.	516.	4,426.	14,940.	223,079.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
5	RAVI YALAMANCHILI DIRECTOR/PHYSICIAN	(i) 428,469.	0.	0.	0.	0.	428,469.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
6	MICHELLE K. MAHAN SR VP AND CFO	(i) 500,012.	130,519.	5,148.	50,741.	14,157.	700,577.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
7	MANUEL A. CASIANO SVP POPULATION HEALTH	(i) 396,956.	97,801.	5,148.	41,895.	13,498.	555,298.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
8	CHERYL L. CIOFFI SVP COO AND CNO	(i) 499,840.	84,557.	780.	45,990.	17,078.	648,245.	148,794.
	(ii)	0.	0.	0.	0.	0.	0.	0.
9	HANNAH R. JACOBS VP FINANCE	(i) 200,120.	45,523.	1,170.	17,101.	1,273.	265,187.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
10	RACHEL I. MANDEL VP MEDICAL AFFAIRS (END 10/18)	(i) 268,873.	54,169.	437.	19,093.	547.	343,119.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
11	CRAIG F. ROSENDALE VP COMPLIANCE	(i) 191,960.	43,506.	9,906.	17,114.	13,974.	276,460.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
12	DONALD R. SCHILLING VP AMBULATORY SERVICES	(i) 223,631.	50,150.	5,148.	17,983.	13,984.	310,896.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
13	MARK S. SOBERMAN PHYSICIAN	(i) 418,661.	35,350.	1,584.	20,500.	15,836.	491,931.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
14	JENNIFER G. TEETER VP CLINICAL INTEGRATION	(i) 230,764.	47,902.	3,354.	19,899.	14,108.	316,027.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
15	HEATHER R KIRBY VP INTEGRATED CARE DELIVERY	(i) 173,941.	31,791.	180.	8,342.	16,099.	230,353.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
16	MARY D. BARTON VP-BUSINESS DEVELOP. & STRAT.	(i) 250,029.	56,146.	516.	0.	7,005.	313,696.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported on Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that aren't listed on Form 990, Part VII.

Note: The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual.

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation in column (B) reported as deferred on prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
1 MICHAEL G MCLANE JR VP SUPPORT SVCS	(i)	164,345.	36,260.	780.	14,460.	16,177.	232,022.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
2 ROBIN R ROSE VP DEVELOPMENT	(i)	146,951.	34,490.	1,794.	12,202.	16,323.	211,760.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
3 DIANE M. MCFARLAND VP PATIENT CARE SVCS	(i)	179,378.	40,875.	1,794.	5,123.	15,786.	242,956.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
4 JACKIE L RICE VP-CIO	(i)	218,393.	49,176.	516.	10,219.	1,100.	279,404.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
5 MARY A MCDONALD MEDICAL DIRECTOR-HOSPICE	(i)	318,097.	9,167.	360.	1,900.	16,099.	345,623.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
6 JIM R. WILLIAMS (ENDED) FORMER SVP POPULATION HEALTH	(i)	130,516.	0.	762.	13,741.	2,216.	147,235.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
7	(i)							
	(ii)							
8	(i)							
	(ii)							
9	(i)							
	(ii)							
10	(i)							
	(ii)							
11	(i)							
	(ii)							
12	(i)							
	(ii)							
13	(i)							
	(ii)							
14	(i)							
	(ii)							
15	(i)							
	(ii)							
16	(i)							
	(ii)							

Part III Supplemental Information

Provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

SCHEDULE J, PART I, LINE 3

THE EXECUTIVE COMPENSATION PROGRAM IS DESIGNED TO CARRY OUT THE HEALTH SYSTEM MISSION, TO ACHIEVE THE CHARITABLE PURPOSE, TO ATTRACT, RETAIN, MOTIVATE AND REWARD EXECUTIVE MANAGEMENT, AND TO MAINTAIN A COMPETITIVE POSITION WITH PEER ORGANIZATIONS IN THE REGION. OVERSIGHT OF THE EXECUTIVE COMPENSATION PROGRAM IS PROVIDED BY THE EXECUTIVE COMPENSATION COMMITTEE OF THE BOARD, COMPOSED OF THE BOARD CHAIRMAN, VICE CHAIRMAN, IMMEDIATE PRECEDING CHAIRMAN, CHAIRMAN OF THE FINANCE COMMITTEE AND THE CHAIRMAN OF THE GOVERNANCE COMMITTEE. IN ADDITION TO THE BOARD'S COMPENSATION COMMITTEE, WE UTILIZED AN EXTERNAL INDEPENDENT CONSULTANT AND MARKET SURVEYS FOR ALL EXECUTIVE MANAGEMENT COMPENSATION. THE PRESIDENT AND CEO HAS A WRITTEN EMPLOYMENT CONTRACT.

SCHEDULE J, PART I, LINE 4B

FREDERICK HEALTH HOSPITAL HAS ONE 457(F) NON-QUALIFIED DEFERRED COMPENSATION PLAN FOR CERTAIN MEMBERS OF SENIOR MANAGEMENT. UNDER THE PLAN, THEY MAY CONTRIBUTE AMOUNTS FROM THEIR COMPENSATION TO THE PLAN AND MAY RECEIVE A DISCRETIONARY EMPLOYER CONTRIBUTION. EMPLOYEES ARE FULLY VESTED IN ALL EMPLOYEE CONTRIBUTIONS TO THE PLAN. VESTING IN EMPLOYER

Part III Supplemental Information

Provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

CONTRIBUTIONS OCCURS IN ACCORDANCE WITH THE UNDERLYING PLAN DOCUMENTS.

ALL ASSETS OF THE PLAN ARE HELD IN A SEPARATE TRUST.

TOTAL HOSPITAL CONTRIBUTIONS TO THIS PLAN WERE AS FOLLOWS:

MICHELLE K. MAHAN \$30,241

THOMAS A. KLEINHANZL \$276,460

MANUEL CASIANO \$21,395

CHERYL CIOFFI \$24,838

**SCHEDULE K
(Form 990)**

Supplemental Information on Tax-Exempt Bonds

OMB No. 1545-0047

2018

**Open to Public
Inspection**

▶ **Complete if the organization answered "Yes" on Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.**

▶ **Attach to Form 990.**

▶ **Go to www.irs.gov/Form990 for instructions and the latest information.**

Department of the Treasury
Internal Revenue Service

Name of the organization

FREDERICK HEALTH HOSPITAL, INC.

Employer identification number

52-0591612

Part I Bond Issues

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pooled financing	
						Yes	No	Yes	No	Yes	No
A MARYLAND HEALTH & HIGHER EDU FACILITIES AUTH 2012A	52-0936091	574218LY7	12/05/2012	100,229,856.	SEE PART VI		X		X		X
B MARYLAND HEALTH & HIGHER EDU FACILITIES AUTH 2017A	52-0936091		06/08/2018	26,779,579.	SEE PART VI		X		X		X
C MARYLAND HEALTH & HIGHER EDU FACILITIES AUTH 2017B	52-0936091		06/08/2018	57,490,000.	SEE PART VI		X		X		X
D											

Part II Proceeds

	A		B		C		D	
1 Amount of bonds retired	5,400,000.		900,000.		3,275,000.			
2 Amount of bonds legally defeased								
3 Total proceeds of issue	100,229,856.		26,779,579.		57,490,000.			
4 Gross proceeds in reserve funds								
5 Capitalized interest from proceeds	1,287,936.							
6 Proceeds in refunding escrows								
7 Issuance costs from proceeds					400,000.			
8 Credit enhancement from proceeds								
9 Working capital expenditures from proceeds								
10 Capital expenditures from proceeds	37,200,000.		26,779,579.					
11 Other spent proceeds					57,490,000.			
12 Other unspent proceeds								
13 Year of substantial completion	2014		2017		2017			
	Yes	No	Yes	No	Yes	No	Yes	No
14 Were the bonds issued as part of a refunding issue of tax-exempt bonds (or, if issued prior to 2018, a current refunding issue)?	X			X	X			
15 Were the bonds issued as part of a refunding issue of taxable bonds (or, if issued prior to 2018, an advance refunding issue)?		X		X		X		
16 Has the final allocation of proceeds been made?		X		X	X			
17 Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X			

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule K (Form 990) 2018

Part III Private Business Use		FREDERICK HEALTH HOSPITAL							
		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X		X		X		
2	Are there any lease arrangements that may result in private business use of bond-financed property?	X			X	X			
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X		X		X			
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X		X		X			
c	Are there any research agreements that may result in private business use of bond-financed property?	X		X		X			
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?	X		X		X			
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	.6400 %		.1000 %		.2700 %			
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	%		%		%		%	
6	Total of lines 4 and 56400 %		.1000 %		.2700 %		%	
7	Does the bond issue meet the private security or payment test?		X		X		X		
8a	Has there been a sale or disposition of any of the bond-financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	%		%		%		%	
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X		X		X			

Part IV Arbitrage		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate?		X		X		X		
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?	X		X			X		
b	Exception to rebate?					X			
c	No rebate due?								
	If "Yes" to line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?		X	X		X			

Part VI Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions) *(Continued)*

DESCRIPTION OF PURPOSE

SCHEDULE K, PART I, COLUMN F

MARYLAND HEALTH & HIGHER EDU FACILITIES AUTH 2012A: FINANCE 2012 PROJECT
AND CURRENT REFUND 2002 BONDS WHICH FUNDED THE 2002 PROJECT.

MARYLAND HEALTH & HIGHER EDU FACILITIES AUTH 2017A: COMPLETION OF 2017
PROJECT CONSISTING OF CONSTRUCTION OF CANCER BUILDING, RENOVATIONS TO
BUSINESS CTR AND STERILE PROCESSING DEPARTMENT.

MARYLAND HEALTH & HIGHER EDU FACILITIES AUTH 2017B: PAY FINANCING COSTS
AND FOR THE REFUNDING OF SERIES 2012B BONDS.

SCHEDULE K, PART II, LINE 3

DIFFERENCE BETWEEN ISSUE PRICE AND TOTAL PROCEEDS MARYLAND HEALTH &
HIGHER ED AUTHORITY 2012A: ORIGINAL ISSUE PREMIUM OF \$3,989,854 AND
PREVIOUSLY TRUSTEED HELD FUNDS OF \$8,115,951.

SCHEDULE K, PART III, LINE 9

THE ORGANIZATION HAS WRITTEN POLICIES AND PROCEDURES IN PLACE TO ENSURE
TAX EXEMPT BOND POST ISSUANCE COMPLIANCE.

SCHEDULE L
(Form 990 or 990-EZ)

Transactions With Interested Persons

OMB No. 1545-0047

2018

Department of the Treasury
Internal Revenue Service

▶ **Complete if the organization answered "Yes" on Form 990, Part IV, line 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.**

▶ **Attach to Form 990 or Form 990-EZ.**

▶ **Go to www.irs.gov/Form990 for instructions and the latest information.**

Open To Public Inspection

Name of the organization

FREDERICK HEALTH HOSPITAL, INC.

Employer identification number

52-0591612

Part I Excess Benefit Transactions (section 501(c)(3), section 501(c)(4), and 501(c)(29) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b.

1	(a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
				Yes	No
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					

- 2 Enter the amount of tax incurred by the organization managers or disqualified persons during the year under section 4958 ▶ \$ _____
- 3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization, ▶ \$ _____

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a or Form 990, Part IV, line 26; or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22.

1	(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?		(i) Written agreement?	
				To	From			Yes	No	Yes	No	Yes	No
				(1)									
(2)													
(3)													
(4)													
(5)													
(6)													
(7)													
(8)													
(9)													
(10)													
Total ▶							\$						

Part III Grants or Assistance Benefiting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

1	(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) CHERYL CIOFFI	KEY EMPLOYEE	29,577.	SEE PART V		X
(2) DONALD R. SCHILLING	KEY EMPLOYEE	40,269.	SEE PART V		X
(3) J. FREDERICK MANNING	OFFICER	159,103.	SEE PART V		X
(4)					
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					

Part V Supplemental Information

Provide additional information for responses to questions on Schedule L (see instructions).

SCHEDULE L, PART IV

ALL TRANSACTIONS DISCLOSED ARE MADE AT ARMS-LENGTH AND AT FAIR MARKET VALUE IN RETURN FOR SERVICES PROVIDED.

SCHEDULE L, PART IV, LINE 1, COLUMN D

FAMILY MEMBER IS EMPLOYED BY FREDERICK HEALTH HOSPITAL, INC. AS AN UNIT SECRETARY.

SCHEDULE L, PART IV, LINE 2, COLUMN D

FAMILY MEMBER IS EMPLOYED BY FREDERICK HEALTH MEDICAL GROUP, LLC. AS A REGISTERED NURSE.

SCHEDULE L, PART IV, LINE 3, COLUMN D

PAYMENTS TO MANNING BROADCASTING, INC. FOR RADIO ADVERTISING. THE REALTIONSHIP BETWEEN THE HOSPITAL AND RADIO STATION EXISTED PRIOR TO MR. MANNING OWNING THE RADIO STATION AND PRIOR TO HIM BEING ON THE BOARD OF FHH.

**SCHEDULE M
(Form 990)**

Noncash Contributions

OMB No. 1545-0047

2018

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

- ▶ Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.
- ▶ Attach to Form 990.
- ▶ Go to www.irs.gov/Form990 for instructions and the latest information.

Name of the organization

FREDERICK HEALTH HOSPITAL, INC.

Employer identification number

52-0591612

Part I Types of Property

	(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1 Art - Works of art				
2 Art - Historical treasures				
3 Art - Fractional interests				
4 Books and publications				
5 Clothing and household goods				
6 Cars and other vehicles.				
7 Boats and planes				
8 Intellectual property				
9 Securities - Publicly traded	X	819.	64,690.	FAIR MARKET VALUE
10 Securities - Closely held stock				
11 Securities - Partnership, LLC, or trust interests				
12 Securities - Miscellaneous				
13 Qualified conservation contribution - Historic structures				
14 Qualified conservation contribution - Other				
15 Real estate - Residential				
16 Real estate - Commercial				
17 Real estate - Other				
18 Collectibles				
19 Food inventory				
20 Drugs and medical supplies				
21 Taxidermy				
22 Historical artifacts				
23 Scientific specimens				
24 Archeological artifacts				
25 Other ▶ ()				
26 Other ▶ ()				
27 Other ▶ ()				
28 Other ▶ ()				

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement **29**

	Yes	No
30a During the year, did the organization receive by contribution any property reported in Part I, lines 1 through 28, that it must hold for at least three years from the date of the initial contribution, and which isn't required to be used for exempt purposes for the entire holding period?		X
b If "Yes," describe the arrangement in Part II.		
31 Does the organization have a gift acceptance policy that requires the review of any nonstandard contributions?	X	
32a Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?		X
b If "Yes," describe in Part II.		
33 If the organization didn't report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II.		

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule M (Form 990) 2018

Part II **Supplemental Information.** Provide the information required by Part I, lines 30b, 32b, and 33, and whether the organization is reporting in Part I, column (b), the number of contributions, the number of items received, or a combination of both. Also complete this part for any additional information.

**SCHEDULE O
(Form 990 or 990-EZ)**

Supplemental Information to Form 990 or 990-EZ

OMB No. 1545-0047

Complete to provide information for responses to specific questions on
Form 990 or 990-EZ or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

2018

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

Name of the organization

FREDERICK HEALTH HOSPITAL, INC.

Employer identification number

52-0591612

DESCRIPTION OF OTHER PROGRAM SERVICES

FORM 990, PART III, LINE 4D

OTHER PROGRAM SERVICES INCLUDE BEHAVIORAL HEALTH, CARDIOLOGY, SLEEP,
HOSPICE & HOME CARE, IMAGING, LABORATORY AND WOUND CARE. THE PROGRAM
SERVICES EXPENSE LISTED HERE INCLUDE \$41.6 MILLION OF GENERAL AND
ADMINISTRATIVE EXPENSES IN MEETING THE HEALTH NEEDS OF OUR PRIMARY
SERVICE AREA.

CHANGES TO GOVERNING DOCUMENTS SINCE THE PRIOR 990 WAS FILED

FORM 990, PART VI, LINE 4

ON SEPTEMBER 10, 2019, THE SYSTEM FILED ARTICLES OF AMENDMENT OF ARTICLES
OF INCORPORATION WITH THE MARYLAND DEPARTMENT OF ASSESSMENTS AND TAXATION
FOR THE SOLE PURPOSE OF CHANGING THE NAMES OF THE FOLLOWING ENTITIES:

ORIGINAL NAME	NEW NAME
- FREDERICK MEMORIAL HOSPITAL, INC.	FREDERICK HEALTH HOSPITAL, INC.
- FREDERICK REGIONAL HEALTH SYSTEM, INC.	FREDERICK HEALTH, INC.
- MONOCACY HEALTH PARTNERS, LLC	FREDERICK HEALTH MEDICAL GROUP, LLC
- HOSPICE OF FREDERICK COUNTY, INC	FREDERICK HEALTH HOSPICE, INC.
- CORPORATE OCCUPATIONAL HEALTH SOLUTIONS CORP.	FREDERICK HEALTH EMPLOYER SOLUTIONS, CORP.

MEMBERS OR STOCKHOLDERS

FORM 990, PART VI, LINE 6

Name of the organization FREDERICK HEALTH HOSPITAL, INC.	Employer identification number 52-0591612
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THE SOLE MEMBER OF THE ORGANIZATION IS FREDERICK HEALTH, INC.

POWER TO ELECT OR APPOINT MEMBERS

FORM 990, PART VI, LINE 7A

THE SOLE MEMBER, FREDERICK HEALTH, INC., HAS THE POWER TO APPOINT THE PRESIDENT/CEO AND THE DIRECTORS OF FREDERICK HEALTH HOSPITAL.

DECISIONS RESERVED TO MEMBERS OR STOCKHOLDERS

FORM 990, PART VI, LINE 7B

THE MEMBER, FREDERICK HEALTH, INC., MUST APPROVE THE INCURRENCE OF DEBT IF SUCH DEBT EXCEEDS A CERTAIN AMOUNT TO BE DESIGNATED BY THE MEMBER, CAPITAL EXPENDITURES EXCEEDING A CERTAIN AMOUNT TO BE DESIGNATED BY THE MEMBER, THE DECISION TO DISSOLVE OR LIQUIDATE, THE CREATION OF A SUBSIDIARY, AND AMENDMENTS TO THE BYLAWS.

PROCESS USED TO REVIEW THE FORM 990

FORM 990, PART VI, LINE 11B

THE 990 IS PREPARED IN CONJUNCTION WITH OUTSIDE TAX ACCOUNTANTS AND REVIEWED BY UPPER MANAGEMENT PRIOR TO PROVIDING A COPY TO THE BOARD. A COPY OF FORM 990 IS PROVIDED TO ALL MEMBERS OF THE BOARD PRIOR TO FILING.

MONITORING AND ENFORCEMENT OF COMPLIANCE WITH CONFLICT OF INTEREST POLICY

FORM 990, PART VI, LINE 12C

THE FREDERICK HEALTH HOSPITAL, INC. BOARD OF DIRECTORS IS COMMITTED TO MEETING ITS FIDUCIARY RESPONSIBILITIES AND MAINTAINING ITS DUTY OF LOYALTY TO THE HOSPITAL AND THE COMMUNITY IT SERVES. TO THIS END, THE

Name of the organization FREDERICK HEALTH HOSPITAL, INC.	Employer identification number 52-0591612
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BOARD WILL EXERCISE VIGILANCE IN IDENTIFYING ANY CONFLICTS OF INTEREST.

THE BOARD WILL ALSO MAINTAIN TRANSPARENCY AND OBJECTIVITY IN MAKING DECISIONS ABOUT CONFLICTS OF INTEREST SO THAT THE ORGANIZATION'S MISSION IS ALWAYS THE FIRST PRIORITY. THE CHAIRPERSON (OR VICE CHAIRPERSON IF THE CHAIR IS INVOLVED) WILL NOTIFY ALL DIRECTORS OF A REPORTED CONFLICT OF INTEREST AND DECIDE WHETHER TO TAKE THE MATTER TO THE FULL BOARD TO DECIDE WHETHER A CONFLICT EXISTS AND, IF SO, WHAT ACTION TO TAKE, OR WILL REFER THE MATTER TO THE GOVERNANCE COMMITTEE FOR AN IN-DEPTH EXAMINATION, SUMMARY, AND RECOMMENDATION PRIOR TO A FULL BOARD DISCUSSION AND DECISION. IF TIME IS OF THE ESSENCE, THE CHAIRPERSON OR VICE CHAIRPERSON WILL TAKE THE MATTER TO THE EXECUTIVE COMMITTEE FOR DISCUSSION AND A DECISION, AND WILL THEN NOTIFY THE FULL BOARD. WHERE A CONFLICT OF INTEREST HAS BEEN IDENTIFIED, THE BOARD MEMBER SHALL NOT VOTE OR BE PRESENT FOR THE DISCUSSION OR THE VOTE REGARDING THE TRANSACTION AT THE FULL BOARD, EXECUTIVE COMMITTEE, OR GOVERNANCE COMMITTEE MEETINGS, EXCEPT TO ANSWER QUESTIONS THAT MAY BE ASKED OF HIM OR HER. TO PREVENT ACTUAL OR PERCEIVED INFLUENCE ON THE BOARD'S DECISION, THE CONFLICTED MEMBER IS PROHIBITED, AFTER INITIAL DISCLOSURE, FROM DISCUSSING THE CONFLICT OF INTEREST EITHER FORMALLY OR INFORMALLY WITH FELLOW DIRECTORS OR WITH MEMBERS OF THE MANAGEMENT. THERE WILL BE AN ANNUAL REVIEW OF ALL BOARD MEMBERS AND OFFICERS TRANSACTIONS PREPARED BY THE ADMINISTRATION AND REVIEWED BY THE GOVERNANCE COMMITTEE AND THE FULL BOARD OF DIRECTORS. AT THAT TIME, ALL DIRECTORS WILL BE REMINDED OF THE IRS INTERMEDIATE SANCTIONS REGULATION THAT ESTABLISHES EXCISE TAXES AS A SANCTION AGAINST ADMINISTRATORS AND DIRECTORS OF TAX-EXEMPT ORGANIZATIONS WHO PARTICIPATE

Name of the organization FREDERICK HEALTH HOSPITAL, INC.	Employer identification number 52-0591612
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IN 'EXCESS BENEFIT TRANSACTIONS' (E.G., UNREASONABLY HIGH EMPLOYMENT COMPENSATION OR BUSINESS DEALS).

PROCESS FOR DETERMINING COMPENSATION
FORM 990, PART VI, LINE 15

THE EXECUTIVE COMPENSATION PROGRAM IS DESIGNED TO CARRY OUT THE HEALTH SYSTEM MISSION, TO ACHIEVE THE CHARITABLE PURPOSE, TO ATTRACT, RETAIN, MOTIVATE AND REWARD EXECUTIVE MANAGEMENT, AND TO MAINTAIN A COMPETITIVE POSITION WITH PEER ORGANIZATIONS IN THE REGION. OVERSIGHT OF THE EXECUTIVE COMPENSATION PROGRAM IS PROVIDED BY THE EXECUTIVE COMPENSATION COMMITTEE OF THE BOARD, COMPOSED OF THE BOARD CHAIRMAN, VICE CHAIRMAN, IMMEDIATE PRECEDING CHAIRMAN, CHAIRMAN OF THE FINANCE COMMITTEE AND THE CHAIRMAN OF THE GOVERNANCE COMMITTEE. IN ADDITION TO THE BOARD'S COMPENSATION COMMITTEE, WE UTILIZED AN EXTERNAL INDEPENDENT CONSULTANT AND MARKET SURVEYS FOR ALL EXECUTIVE MANAGEMENT THE PRESIDENT AND CEO HAVE A WRITTEN EMPLOYMENT CONTRACT.

PROCESS FOR MAKING DOCUMENTS AVAILABLE TO THE PUBLIC
FORM 990, PART VI, LINE 19

GOVERNING DOCUMENTS AND THE CONFLICT OF INTEREST POLICY ARE AVAILABLE UPON REQUEST. FREDERICK HEALTH HOSPITAL, INC. CONSOLIDATED ANNUAL AUDITED FINANCIAL STATEMENTS ARE AVAILABLE AT
[HTTPS://WWW.FREDERICKHEALTH.ORG/ABOUT/ABOUT-FREDERICK-HEALTH/COMPLIANCE](https://www.frederickhealth.org/about/about-frederick-health/compliance). AS
PX

FORM 990, PART VII
DIRECTORS RAVI YALAMANCHILI, GERRIT SCHIPPER AND THOMAS MUNRO RECEIVED

Name of the organization FREDERICK HEALTH HOSPITAL, INC.	Employer identification number 52-0591612
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COMPENSATION FOR PHYSICIAN SERVICES PERFORMED AND NOT FOR SERVING ON THE BOARD.

OTHER CHANGES IN NET ASSETS

FORM 990, PART XI, LINE 9

UNREALIZED LOSS ON INTEREST RATE SWAP	\$ (1,659,149)
MINIMUM PENSION ADJUSTMENT	\$ (2,499,893)
ASU 2016-01 ADOPTION	\$ 2,848,000
FORGIVENESS OF INTERCO DEBT WITH RELATED ENTITIES	\$ (77,931,103)
ASSETS RELEASED FROM RESTRICTION FOR THE PURCHASE OF CAPITAL ITEMS	\$ 940,211
TOTAL	\$ (78,301,934)

ATTACHMENT 1

FORM 990, PART III - PROGRAM SERVICE, LINE 4A

ADULT INPATIENT SERVICES

IN FY 2019, FREDERICK HEALTH HOSPITAL'S INPATIENT MEDICAL-SURGICAL DEPARTMENTS PROVIDED QUALITY, PATIENT-CENTERED CARE, REGARDLESS OF ABILITY TO PAY, TO APPROXIMATELY 18,706 INPATIENTS AND OBSERVATION PATIENTS. MAJOR MEDICAL AND SURGICAL SERVICES INCLUDE CARDIOLOGY, CONGESTIVE HEART FAILURE, POST-CARDIAC CATHETERIZATION, CENTER FOR CHEST PAIN, HEMODIALYSIS, PERITONEAL DIALYSIS, NEUROLOGY, NEUROSURGERY, PULMONOLOGY, ONCOLOGY, ORTHOPEDICS, GENERAL MEDICINE AND SURGICAL CARE. INPATIENT CARE IS SUPPORTED BY A TEAM OF BOARD CERTIFIED PHYSICIAN HOSPITALISTS. IN ADDITION, FHH IS DESIGNATED AS A PRIMARY STROKE CENTER BY THE MARYLAND INSTITUTE OF EMERGENCY

Name of the organization FREDERICK HEALTH HOSPITAL, INC.	Employer identification number 52-0591612
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ATTACHMENT 1 (CONT'D)

MEDICAL SERVICE SYSTEMS (MIEMSS) AND IS RECOGNIZED WITH THE STROKE CENTER GOLD PERFORMANCE AWARD BY THE AMERICAN HEART ASSOCIATION. OUR BARIATRIC SURGICAL PROGRAM IS ACCREDITED BY THE AMERICAN SOCIETY FOR METABOLIC AND BARIATRIC SURGERY AS A BARIATRIC SURGERY CENTER OF EXCELLENCE. IN ADDITION TO THE PROGRAM SERVICES EXPENSE LISTED HERE, FHH INCURRED \$41.6 MILLION OF GENERAL AND ADMINISTRATIVE EXPENSES IN MEETING THE HEALTH NEEDS OF OUR PRIMARY SERVICE AREA.

ATTACHMENT 2

FORM 990, PART III - PROGRAM SERVICE, LINE 4B

PERIOPERATIVE SERVICES

FREDERICK HEALTH HOSPITAL'S PERIOPERATIVE SERVICES PROVIDED HIGH QUALITY CARE TO 10,473 SURGICAL AND ENDOSCOPY PATIENTS IN FISCAL YEAR 2019. PROCEDURES WERE PERFORMED IN OUR STATE OF THE ART FACILITY WHICH INCLUDES A DEDICATED IMAGING ROOM FOR VASCULAR AND OTHER PROCEDURES. WE HAVE PARTICIPATED IN THE SCIP QUALITY IMPROVEMENT PROJECT FOR CONTINUAL IMPROVEMENTS IN CARE FOLLOWING EVIDENCE BASED MEDICINE. WE TRACKED OUR PATIENT SATISFACTION THROUGH PRESS GANEY TO BENCHMARK OUR RESULTS TO THE NATIONAL DATA BASE. IN ADDITION TO THE PROGRAM SERVICES EXPENSE LISTED HERE, FHH INCURRED \$41.6 MILLION OF GENERAL AND ADMINISTRATIVE EXPENSES IN MEETING THE HEALTH NEEDS OF OUR PRIMARY SERVICE AREA.

Name of the organization FREDERICK HEALTH HOSPITAL, INC.	Employer identification number 52-0591612
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ATTACHMENT 3FORM 990, PART III - PROGRAM SERVICE, LINE 4C

INPATIENT WOMEN AND CHILDREN

THE BIRTHPLACE ENCOMPASSES THE BIRTHING SUITE, THE FAMILY CENTER, THE NEWBORN NURSERY, AND THE NEONATAL INTENSIVE CARE UNIT. THE BIRTHING SUITE IS WHERE LABOR, BIRTHING AND RECOVERY OCCURS IN A COMFORTABLE, PRIVATE ROOM WITH SUPPORT PEOPLE WHO WILL ENCOURAGE AND COACH YOU THROUGHOUT YOUR LABOR AND DELIVERY. FREDERICK HEALTH HOSPITAL CARES FOR MORE THAN 2,400 FAMILIES EACH YEAR IN THE BIRTHPLACE. WHILE MANY OF THESE BIRTHS ARE HEALTHY NEWBORNS, ABOUT 10% OF ALL BABIES MAY NEED HIGH-RISK CARE FROM OUR NICU TEAM. AS A PERINATAL LEVEL III REFERRAL CENTER, FHH HAS A LEVEL III NICU WITH THE ABILITY TO CARE FOR BABIES OF ALL GESTATIONAL AGES, AND AS YOUNG AS 23 WEEKS PREMATURE. IN ADDITION TO THE PROGRAM SERVICES EXPENSE LISTED HERE, FHH INCURRED \$41.6 MILLION OF GENERAL AND ADMINISTRATIVE EXPENSES IN MEETING THE HEALTH NEEDS OF OUR PRIMARY SERVICE AREA.

ATTACHMENT 4990, PART VII- COMPENSATION OF THE FIVE HIGHEST PAID IND. CONTRACTORS

<u>NAME AND ADDRESS</u>	<u>DESCRIPTION OF SERVICES</u>	<u>COMPENSATION</u>
TX:TEAM REHAB INC 9101 WESLEYAN RD SUITE 100 INDIANAPOLIS, IN 46268	REHAB SERVICES	8,562,033.
SOUND PHYSICIANS PO BOX 742936 LOS ANGELES, CA 90074	PHYSICIAN SERVICES	4,315,232.
QUEST DIAGNOSTICS PO BOX 740709	LABORATORY SERVICES	1,476,295.

Name of the organization FREDERICK HEALTH HOSPITAL, INC.	Employer identification number 52-0591612
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ATTACHMENT 4 (CONT'D)

990, PART VII- COMPENSATION OF THE FIVE HIGHEST PAID IND. CONTRACTORS

<u>NAME AND ADDRESS</u>	<u>DESCRIPTION OF SERVICES</u>	<u>COMPENSATION</u>
ATLANTA, GA 30374		
CRITICAL CARE ASSOCIATES, LLC 10711 RED RUN BLVD., SUITE 101 OWINGS MILLS, MD 21117	PHYSICIAN SERVICES	1,203,481.
STERIS INSTRUMENT MANAGEMENT PO BOX 2725 COLUMBUS, GA 31902-2725	OR SERVICES	957,376.

ATTACHMENT 5FORM 990, PART IX - OTHER FEES

<u>DESCRIPTION</u>	<u>(A) TOTAL FEES</u>	<u>(B) PROGRAM SERVICE EXP.</u>	<u>(C) MANAGEMENT AND GENERAL</u>	<u>(D) FUNDRAISING EXPENSES</u>
CONTRACT LABOR	3,238,542.	3,238,542.	0.	0.
PROFESSIONAL FEES	11,638,039.	11,638,039.	0.	0.
CONTRACT SERVICES	54,887,829.	46,760,313.	8,127,324.	192.
OTHER EXPENSES	5,723,841.	5,060,656.	661,269.	1,916.
TOTALS	<u>75,488,251.</u>	<u>66,697,550.</u>	<u>8,788,593.</u>	<u>2,108.</u>

**SCHEDULE R
(Form 990)**

Related Organizations and Unrelated Partnerships

OMB No. 1545-0047

2018

**Open to Public
Inspection**

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.

▶ Attach to Form 990.

▶ Go to www.irs.gov/Form990 for instructions and the latest information.

Department of the Treasury
Internal Revenue Service

Name of the organization

FREDERICK HEALTH HOSPITAL, INC.

Employer identification number

52-0591612

Part I Identification of Disregarded Entities. Complete if the organization answered "Yes" on Form 990, Part IV, line 33.

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					

Part II Identification of Related Tax-Exempt Organizations. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, because it had one or more related tax-exempt organizations during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) FREDERICK HEALTH HOSPICE, INC. 400 WEST SEVENTH STREET FREDERICK, MD 21701 52-1164513	HOSPICE CARE	MD	501(C)(3)	10	FHH, INC	X	
(2) FREDERICK HEALTH, INC. 400 WEST SEVENTH STREET FREDERICK, MD 21701 45-4133096	HEALTH SYSTEM	MD	501(C)(3)	12B	N/A		X
(3) FREDERICK HEALTH MEDICAL GROUP, LLC 400 WEST SEVENTH STREET FREDERICK, MD 21701 45-3007639	PHYSICIAN ORG	MD	501(C)(3)	10	FHI	X	
(4)							
(5)							
(6)							
(7)							

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule R (Form 990) 2018

Part III Identification of Related Organizations Taxable as a Partnership. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, because it had one or more related organizations treated as a partnership during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512 - 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V - UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1)												
(2)												
(3)												
(4)												
(5)												
(6)												
(7)												

Part IV Identification of Related Organizations Taxable as a Corporation or Trust. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, because it had one or more related organizations treated as a corporation or trust during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
(1) FREDERICK HEALTH SERVICES CORPORATION 52-1851661 400 WEST SVENETH STREET FREDERICK, MD 21701	MGMT COMPANY	MD	FHI	C CORP	0.	0.			X
(2) MONOCACY INSURANCE LTD 98-1011570 PO BOX 1159 GRAND CAYMAN, CJ KY1-1102	SELF INSURANCE	CJ	FHI	C CORP	0.	0.			X
(3)									
(4)									
(5)									
(6)									
(7)									

Part V Transactions With Related Organizations. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.

Note: Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.

	Yes	No
1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?		
a Receipt of (i) interest, (ii) annuities, (iii) royalties, or (iv) rent from a controlled entity	X	
b Gift, grant, or capital contribution to related organization(s)		X
c Gift, grant, or capital contribution from related organization(s)		X
d Loans or loan guarantees to or for related organization(s)		X
e Loans or loan guarantees by related organization(s)		X
f Dividends from related organization(s)		X
g Sale of assets to related organization(s)		X
h Purchase of assets from related organization(s)		X
i Exchange of assets with related organization(s)		X
j Lease of facilities, equipment, or other assets to related organization(s)	X	
k Lease of facilities, equipment, or other assets from related organization(s)	X	
l Performance of services or membership or fundraising solicitations for related organization(s)		X
m Performance of services or membership or fundraising solicitations by related organization(s)		X
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)		X
o Sharing of paid employees with related organization(s)	X	
p Reimbursement paid to related organization(s) for expenses	X	
q Reimbursement paid by related organization(s) for expenses	X	
r Other transfer of cash or property to related organization(s)	X	
s Other transfer of cash or property from related organization(s)	X	

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds.

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) FREDERICK HEALTH MEDICAL GROUP, LLC	Q	46,509,267.	DIRECT COSTING
(2) FREDERICK HEALTH, INC.	Q	1,266,750.	DIRECT COSTING
(3) FREDERICK HEALTH MEDICAL GROUP, LLC	S	39,950,000.	CASH
(4) FREDERICK HEALTH HOSPICE, INC	O	906,556.	DIRECT COSTING
(5) FREDERICK HEALTH MEDICAL GROUP, LLC	O	820,548.	DIRECT COSTING
(6) FREDERICK HEALTH, INC.	O	1,089,662.	DIRECT COSTING

Part V Transactions With Related Organizations. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.

Note: Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.

	Yes	No
1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?		
a Receipt of (i) interest, (ii) annuities, (iii) royalties, or (iv) rent from a controlled entity.	1a	
b Gift, grant, or capital contribution to related organization(s)	1b	
c Gift, grant, or capital contribution from related organization(s)	1c	
d Loans or loan guarantees to or for related organization(s)	1d	
e Loans or loan guarantees by related organization(s)	1e	
f Dividends from related organization(s)	1f	
g Sale of assets to related organization(s)	1g	
h Purchase of assets from related organization(s)	1h	
i Exchange of assets with related organization(s)	1i	
j Lease of facilities, equipment, or other assets to related organization(s)	1j	
k Lease of facilities, equipment, or other assets from related organization(s)	1k	
l Performance of services or membership or fundraising solicitations for related organization(s)	1l	
m Performance of services or membership or fundraising solicitations by related organization(s)	1m	
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n	
o Sharing of paid employees with related organization(s)	1o	
p Reimbursement paid to related organization(s) for expenses.	1p	
q Reimbursement paid by related organization(s) for expenses	1q	
r Other transfer of cash or property to related organization(s)	1r	
s Other transfer of cash or property from related organization(s)	1s	

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds.

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) FREDERICK HEALTH MEDICAL GROUP, LLC	J	1,142,499.	CASH
(2) FREDERICK HEALTH SERVICES CORP	K	479,452.	FMV
(3) FREDERICK HEALTH SERVICES CORP	A	238,000.	FMV
(4) FREDERICK HEALTH SERVICES CORP	O	179,723.	FMV
(5)			
(6)			

Part VI **Unrelated Organizations Taxable as a Partnership.** Complete if the organization answered "Yes" on Form 990, Part IV, line 37.

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V - UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	
(1)													
(2)													
(3)													
(4)													
(5)													
(6)													
(7)													
(8)													
(9)													
(10)													
(11)													
(12)													
(13)													
(14)													
(15)													
(16)													

Part VII **Supplemental Information**

Provide additional information for responses to questions on Schedule R. See instructions.

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Frederick Regional Health System, Inc. and Subsidiaries
Years Ended June 30, 2019 and 2018
With Report of Independent Auditors

Ernst & Young LLP



Frederick Regional Health System, Inc. and Subsidiaries

Consolidated Financial Statements
and Supplementary Information

Years Ended June 30, 2019 and 2018

Contents

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Ernst & Young LLP
621 East Pratt Street
Baltimore, MD 21202

Tel: +1 410 539 7940
Fax: +1 410 783 3832
ey.com

Report of Independent Auditors

The Board of Directors
Frederick Regional Health System, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Frederick Regional Health System, Inc. and Subsidiaries (the System), which comprise the consolidated balance sheets as of June 30, 2019 and 2018, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Monocacy Insurance, Ltd., a wholly owned subsidiary, which statements reflect total assets of \$21,473,946 and \$17,643,829 as of June 30, 2019 and 2018, respectively, and net loss after elimination of intercompany revenues of \$4,177,260 and \$3,273,203, respectively, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Monocacy Insurance, Ltd., is based solely on the report of the other auditors. 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.

Opinion

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Frederick Regional Health System, Inc. and subsidiaries at June 30, 2019 and 2018, and the consolidated results of their operations, changes in their net assets, and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Adoption of New Accounting Pronouncements

As discussed in Note 2 to the consolidated financial statements, the System changed its method for revenue recognition as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*, effective July 1, 2018. The System also changed the presentation and related disclosures of net assets as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, effective June 30, 2019. Additionally, the System changed its method for measuring and disclosing certain financial assets and financial liabilities resulting from Accounting Standards Update 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, effective July 1, 2018. Our opinion is not modified with respect to these matters.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Ernst & Young LLP

September 30, 2019

Frederick Regional Health System, Inc. and Subsidiaries

Consolidated Balance Sheets
(In Thousands)

	June 30	
	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 30,310	\$ 32,772
Patient receivables	48,170	49,211
Other receivables	3,434	2,017
Inventory	5,445	5,779
Prepaid expenses	3,509	2,592
Assets limited as to use	3,243	3,267
Promises to give, net	817	981
Total current assets	<u>94,928</u>	<u>96,619</u>
Net property and equipment	233,155	237,197
Other assets:		
Assets limited as to use	1,175	1,294
Investments – donor restricted	3,057	2,729
Promises to give, net	3,922	4,559
Long-term investments	185,877	161,254
Other investments	8,513	12,566
Other assets	6,556	7,087
Total other assets	<u>209,100</u>	<u>189,489</u>
Total assets	<u><u>\$ 537,183</u></u>	<u><u>\$ 523,305</u></u>

	June 30	
	2019	2018
Liabilities and net assets		
Current liabilities:		
Current maturities of long-term debt, line of credit, and capital lease obligations	\$ 5,223	\$ 5,013
Accounts payable	23,119	26,570
Accrued expenses	26,405	24,327
Advances from third-party payors	7,722	8,027
Other current liabilities	2,616	2,909
Total current liabilities	<u>65,085</u>	<u>66,846</u>
Long-term liabilities, net of current portion:		
Long-term debt and capital lease obligations	168,386	174,573
Interest rate swap contract	8,365	6,706
Accrued pension expense	14,373	14,475
Other long-term liabilities	21,489	21,500
Total long-term liabilities, net of current portion	<u>212,613</u>	<u>217,254</u>
Total liabilities	<u>277,698</u>	<u>284,100</u>
Net assets:		
Without donor restrictions	251,689	230,938
With donor restrictions	7,796	8,267
Total net assets	<u>259,485</u>	<u>239,205</u>
Total liabilities and net assets	<u>\$ 537,183</u>	<u>\$ 523,305</u>

See accompanying notes.

Frederick Regional Health System, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes In Net Assets
(In Thousands)

	Year Ended June 30	
	2019	2018
Net assets without donor restrictions:		
Unrestricted revenues:		
Patient service revenue (net of contractual allowances)	\$ 423,999	\$ 417,855
Provision for uncollectible accounts	–	(11,873)
Net patient service revenue	<u>423,999</u>	<u>405,982</u>
Other Revenue	9,956	13,112
Total unrestricted revenues	<u>433,955</u>	<u>419,094</u>
Operating expenses:		
Salaries and wages	168,233	158,792
Employee benefits	35,635	33,661
Professional fees	14,593	16,144
Cost of goods sold	70,377	61,541
Supplies	11,502	11,221
Contract services	74,177	75,544
Other	13,221	13,269
Utilities	4,651	4,525
Insurance	2,763	3,436
Depreciation and amortization	22,848	25,128
Interest	5,847	5,224
Total operating expenses	<u>423,847</u>	<u>408,485</u>
Income from operations	10,108	10,609
Other income, net:		
(Loss) gain on sale of assets	(14)	13
Investment gain, net	5,434	7,774
Change in unrealized gains (losses) on trading securities, net	8,089	(1,272)
Realized and unrealized (losses) gains on interest rate swap contact, net	(2,861)	1,271
Periodic pension expense	(1,399)	(2,038)
Pension settlement expense	–	(3,544)
Other non-operating gains (losses), net	108	(205)
Total other income, net	<u>9,357</u>	<u>1,999</u>
Excess of revenue over expenses	<u>\$ 19,465</u>	<u>\$ 12,608</u>

Continued on page 6.

Frederick Regional Health System, Inc. and Subsidiaries

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

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, June 30, 2017	\$ 205,402	\$ 8,522	\$ 213,924
Excess of revenues over expenses	12,608	–	12,608
Pension adjustment	10,633	–	10,633
Released from restriction used to purchase capital	2,295	(2,295)	–
Assets released from restrictions	–	(208)	(208)
Restricted gifts, bequests, and contributions	–	2,248	2,248
Changes in net assets	<u>25,536</u>	<u>(255)</u>	<u>25,281</u>
Net assets, June 30, 2018	230,938	8,267	239,205
Excess of revenue over expenses	19,465	–	19,465
Pension adjustment	(2,500)	–	(2,500)
Other changes in unrestricted net assets	2,848	–	2,848
Released from restriction used to purchase capital	938	(938)	–
Assets released from restrictions	–	(282)	(282)
Restricted gifts, bequests, and contributions	–	749	749
Changes in net assets	<u>20,751</u>	<u>(471)</u>	<u>20,280</u>
Net assets, June 30, 2019	<u>\$ 251,689</u>	<u>\$ 7,796</u>	<u>\$ 259,485</u>

See accompanying notes.

Frederick Regional Health System, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (In Thousands)

	Year Ended June 30	
	2019	2018
Operating activities		
Changes in net assets	\$ 20,280	\$ 25,281
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation of property and equipment	22,848	25,128
Amortization of original issue discount, premium, and bond issue costs	(64)	(70)
(Gains) losses on joint ventures and Premier noncash component	(3,814)	1,233
Loss (gain) on sale of property and equipment	24	(7)
Change in unrealized (gains) losses on trading securities, net	(8,088)	1,272
Proceeds from realized gains on investments – trading	(5,433)	(7,776)
Increase in investments – trading	(1,849)	(4,496)
Proceeds from restricted contributions	(328)	(300)
Realized and unrealized losses (gains) in interest rate swap, net	2,861	(1,271)
Changes in operating assets and liabilities:		
Receivables, patient, and other	(376)	(1,143)
Other assets	531	(274)
Inventories and prepaids	(583)	373
Pledges receivable	801	555
Accounts payable	(3,451)	(5,557)
Accrued expenses	2,078	3,394
Accrued pension expense	(102)	(4,272)
Advances from third-party payors	(305)	308
Other short-term liabilities	(293)	313
Other long-term liabilities	(11)	(720)
Net cash provided by operating activities	24,726	31,971
Investing activities		
Decrease in assets limited as to use, non-trading, net	143	6,310
Realized losses on interest rate swap contract	(1,202)	(1,582)
Increase in other investments	(1,714)	(1,793)
Purchases of property and equipment	(18,850)	(15,416)
Net proceeds from sale of assets	20	689
Net cash used in investing activities	(21,603)	(11,792)
Fundraising and financing activities		
Proceeds from restricted contributions	328	300
Repayments of long-term debt	(5,913)	(14,080)
Deferred financing costs paid	–	(237)
Net cash used in fundraising and financing activities	(5,585)	(14,017)
Net (decrease) increase in cash and cash equivalents	(2,462)	6,162
Cash and cash equivalents at the beginning of the year	32,772	26,610
Cash and cash equivalents at the end of the year	\$ 30,310	\$ 32,772
Supplemental disclosures		
Property and equipment acquired under capital lease	\$ –	\$ –
Cash paid for interest	\$ 6,035	\$ 5,657

See accompanying notes.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Dollars in Thousands)

June 30, 2019

1. Organization and Mission

Frederick Regional Health System, Inc. (the System) is a not-for-profit parent corporation formed on June 23, 2011, exempt from income tax under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) whereby only unrelated business income as defined by Section 512(a)(1) of the Code is subject to federal income tax. The System has received a determination letter from the Internal Revenue Service (IRS) stating that it is exempt from federal income taxes under Section 501(c) of the Code.

Frederick Memorial Hospital, Inc. (FMH) is a not-for-profit hospital, exempt from federal income tax under Section 501(a) of the Code as an organization described in Section 501(c)(3) whereby only unrelated business income as defined by Section 512(a)(1) of the Code is subject to federal income tax. FMH is located in Frederick, Maryland, and provides health care services primarily to residents of Frederick County. FMH has received a determination letter from the IRS stating that it is exempt from federal income taxes under Section 501(c) of the Code.

Monocacy Insurance, Ltd. (MIL) is a Cayman Islands-domiciled single-parent captive incorporated on May 24, 2011, and holds an Unrestricted Class B insurance license issued under Section 7(2) of the Cayman Island Insurance Law. MIL directly provides primary medical professional liability, primary general liability coverage, and cyber liability coverage to the System.

Monocacy Health Partners, LLC (MHP) serves as a physician enterprise, providing governance, management, and support functions for employed physicians. MHP is a not-for-profit corporation, formed on June 23, 2011, and operational as of October 1, 2013, exempt from income tax under Section 501(a) of the Code as an organization described in Section 501(c)(3) whereby only unrelated business income as defined by Section 512(a)(1) of the Code is subject to federal income tax. MHP has received a determination letter from the IRS stating that it is exempt from federal income taxes under Section 501(c) of the Code.

Frederick Health Services Corporation (FHSC) is a Maryland for-profit corporation, all of the stock of which is owned by the System. FHSC is subject to federal and state income taxes. No provision for income taxes has been recorded for 2019 or 2018 due to the availability of net operating loss carryforwards. FHSC recorded a net deferred tax asset of \$555 and \$411 as of June 30, 2019 and 2018, respectively, which is presented in other assets on the consolidated balance sheet.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

1. Organization and Mission (continued)

On March 25, 2014, Frederick Integrated Healthcare Network, LLC (FIHN) was formed and is operated exclusively as a charitable organization for charitable, scientific, and educational purposes within the meaning of Section 501(c)(3) of the Code and the Regulations thereunder as they now exist or as they may hereafter be amended. FIHN was formed to maintain and operate a program of clinical integration and an accountable care organization among health care providers. FIHN is a single-member LLC and a disregarded entity of FRHS for income tax purposes.

The Obligated Group for repayment of the Maryland Health and Higher Educational Facilities Authority (MHHEFA) Series 2012A, Series 2017A, and 2017B Bonds includes FMH, MHP, and FRHS.

On July 7, 2014, Frederick Memorial Hospital (FMH), Meritus Health, and Western Maryland Health System (WMHS) established Trivergent Health Alliance (THA), the parent company to Trivergent Health Alliance MSO (MSO). MSO is a managed services organization that provides regional health care services. The current purpose of MSO is to increase operational efficiencies, reduce costs, and enhance the quality of care by focusing efforts in the following areas: laboratory services, materials management, and pharmacy services. The human resource area returned to the three individual hospitals during December 2018 and is no longer provided by THA. The revenue cycle area was returned to FMH during July 2019. FMH contributed working capital of \$100 to THA and \$900 to the MSO for a 33% ownership interest, which is presented in other assets on the consolidated balance sheets. Upon establishment of the MSO, all employees within the six service areas transferred employment from FMH to the MSO. The related cost to purchase the service from the MSO is recorded on the consolidated statement of operations within contract services for the years ended June 30, 2019 and 2018. The System paid a total of \$29,048 and \$32,377 to the MSO during the years ended June 30, 2019 and 2018, respectively. Subsequent to year end, WMHS withdrew its membership from Trivergent due to a clinical affiliation with an outside health system. FMH and Meritus Health assumed a 50% ownership of Trivergent for its continued services going forward.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts and transactions of the System and its wholly owned subsidiaries: FMH, MIL, FHSC, MHP, and FIHN.

FMH has one wholly owned subsidiary, Hospice of Frederick County, Inc. (HFC), which has been consolidated with FMH into the System in the accompanying consolidated financial statements. HFC, an independent 501(c)(3) organization controlled by FMH, operates as a fundraising organization for the benefit of hospice services and operates the Kline Hospice House.

FHSC has three wholly owned subsidiaries: Rosehill of Frederick, LLC, Corporate Occupational Health Solutions, LLC and Comp Claim Management, LLC, all of which are for-profit limited liability companies that have been consolidated with FHSC into the System in the accompanying consolidated financial statements.

The accompanying consolidated financial statements include the accounts of the System and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). Certain prior year balances have been reclassified to conform to the current year's presentation.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as donor restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the asset is reclassified to without donor restrictions if restricted for capital or reported in the statements of operations as net assets released from restrictions if restricted for operating purposes. Donations received with no restrictions and donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated statements of operations as other operating revenues.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less. Those money market funds that are classified as long-term investments are excluded from cash and cash equivalents.

Other Revenue

Other revenue consists primarily of other operating revenue as well as gifts, bequests and contributions. During fiscal year 2018, FIHN received approximately \$5,130 in Medicare shared savings from the Center for Medicare and Medicaid Services (CMS), of which approximately \$3,400 was recorded in patient service revenue on a consolidated basis at the System and the remaining \$1,700 was not recorded as revenue as it was distributed to providers participating in the accountable care organization (ACO) and not employed by the System. No shared savings amounts were recorded in fiscal year 2019.

Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

Cost of Goods Sold

Cost of goods sold consists primarily of drugs, medical supplies, and surgical implants used in the care and treatment of patients.

Investments and Assets Limited as to Use

The fair values of individual investments are based on quoted market prices of individual securities or investments or estimated amounts using quoted market prices of similar investments. Realized and unrealized investment returns from all unrestricted investments and assets limited as to use are included in the consolidated statements of operations as part of nonoperating gains and losses. Long-term investments represent investments without donor restrictions and income earned on investments with and without donor restrictions. The cost of securities sold is based on the specific-identification method. Investments are classified as either current or noncurrent based on maturity dates and availability for current operations.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Substantially all of the System's investment portfolio (excluding certain assets limited as to use) is classified as trading, with unrealized gains and losses included in excess of revenue over expenses. Certain trustee assets that are included in assets limited as to use are classified as other than trading. These assets primarily consist of funds held for payment of principal and interest on bonds and deferred compensation trusts.

Investment Risk and Liquidity Management

The System invests in professionally managed portfolios that contain corporate bonds, U.S. government obligations, municipal obligations, asset-backed securities, marketable equity securities, hedge funds, money market funds, private equity, and alternative investments. Such investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

As part of its liquidity management, the System's strategy is to structure its financial assets to be available to satisfy general operating expenses, current liabilities, and other obligations as they come due. The System has a committed line of credit, as discussed in Note 9, to help manage unanticipated liquidity needs.

Property and Equipment

Property and equipment are carried at historical cost. Items acquired by gift are recorded at fair value at the time of acquisition. Depreciation is recorded using the straight-line method over the estimated useful lives of the depreciable assets. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful lives of the assets.

Valuation of Long-Lived Assets

The System accounts for the valuation of long-lived assets under Accounting Standards Codification (ASC) 360-10-45, *Accounting for the Impairment or Disposal of Long-Lived Assets*. This guidance requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Debt Issuance Costs

Debt issuance costs related to the Series 2012 and Series 2017 MHHEFA Bonds are being amortized over the life of the debt using the effective-interest method and are netted in long-term debt in the consolidated balance sheets.

Patient Receivables and Revenues

Patient receivable include charges for amounts due from all patients less price concessions relating to allowances for the excess of established charges over the payments to be received on behalf of patients covered by Medicare, Medicaid and other insurers. The provision for price concessions is based upon management's assessment of historical and expected net collections considering historical business and economic conditions, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the price concessions based upon historical experience of self-pay accounts receivable, including those balances after insurance payments and not covered by insurance.

The System's revenues generally relate to contracts with patients in which our performance obligations are to provide health care services to the patients. These revenues are based upon the estimated amounts that management expects to be entitled to receive from patients and third-party payors. Refer to Note 3 for additional information regarding the recognition of revenues in accordance with generally accepted accounting principles.

Performance Indicator

The performance indicator is the excess of revenue over expenses. Other changes in net assets, consistent with industry practice, include pension adjustments and net assets released from restriction for capital purposes.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The carrying amounts reported on the accompanying consolidated balance sheets for cash and cash equivalents, other receivables, accounts payable, accrued expenses, and advances from third-party payors approximate their fair values. The fair values of the System's notes receivable, revenue bond notes, and other long-term debt approximate the carrying amounts, based on loans with similar terms and average maturities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Assets

Net resources that are not restricted by donors are included in Net assets without donor restrictions. Gifts of long-lived operating assets, such as property, plant or equipment, are reported as Net assets without donor restrictions and excluded from income. Resources restricted by donors for a specified time or purpose are reported as Net assets with donor restrictions.

When the specific purposes are met, either through passage of a stipulated time period or when the purpose for restriction is accomplished, they are released to Other operating revenues in the Statement of Operations and Changes in Net Assets. Resources restricted by donors for additions to property, plant and equipment are initially reported as Net assets with donor restrictions and are transferred to Net assets without donor restrictions when expended. Donor-imposed restrictions, which stipulate that the resources be maintained permanently, are reported as net assets with donor restrictions.

Investment income related to net assets with donor restrictions is classified as net assets without donor restrictions based on the intent of the donor.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Recent Accounting Pronouncements

Effective January 1, 2018, the System adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, using the modified retrospective method of transition. This ASU converged and replaced existing revenue recognition guidance, including industry-specific guidance and requires revenue to be recognized in an amount that reflects the consideration the entity expects to be entitled in an exchange of goods or services. The adoption of this ASU did not materially impact the consolidated financial statements, refer to footnote three for additional information.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The System has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. The amendments help entities evaluate the accounting for implementation costs paid by a customer in a cloud computing arrangement by providing guidance for determining when the service contract includes a software license. The System is evaluating the impact of this guidance, which will be effective in 2021.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which requires various changes to the measurement and disclosure of equity investments. For the System, the most relevant change under ASU 2016-01 is that certain private equity and hedge fund investments that are currently accounted for using the cost method will be measured at fair value. The System applied the standard prospectively as required on July 1, 2018, and therefore the standard did not have an impact on the period ended June 30, 2018. The impact of adoption during the period on the consolidated balance sheets of was an increase to long-term investments and other investments of \$2,387 and \$461, respectively. The impact to the consolidated statement of operations and change in net assets was an increase in other changes in net assets of \$2,848.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

2. Significant Accounting Policies (continued)

In February 2016, the FASB issued ASU 2016-02, *Leases*. This ASU amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets. It will be effective and adopted for fiscal year 2020. The System is currently assessing the potential impact this ASU will have on the System's consolidated results of operations, financial position, and cash flows.

3. Patient Receivables and Patient Service Revenue

Patient receivables consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Gross patient receivables	\$ 69,867	\$ 69,029
Less estimated uncollectible accounts and contractual allowances	<u>(21,697)</u>	<u>(19,818)</u>
Net patient receivables	<u>\$ 48,170</u>	<u>\$ 49,211</u>

Patient service revenue consists of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Inpatient charges	\$ 231,161	\$ 239,541
Outpatient charges	<u>321,033</u>	<u>280,584</u>
Gross charges	<u>552,194</u>	<u>520,125</u>
Less contractual and other allowances	<u>(128,195)</u>	<u>(102,270)</u>
Net patient service revenue	<u>423,999</u>	<u>417,855</u>
Less provision for bad debts	-	<u>(11,873)</u>
Net patient service revenue	<u>\$ 423,999</u>	<u>\$ 405,982</u>

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Patient Receivables and Patient Service Revenue (continued)

In May 2014, the FASB issued a new standard related to revenue recognition. The System adopted the new standard effective July 1, 2018, using the modified retrospective method. The most significant change from the adoption of the new standard relates to the System's presentation of the provision for bad debts. Under the previous standards, the System's estimate for amounts not expected to be collected based upon historical experience, were reflected as provision for bad debts and deducted from net patient service revenue to arrive at net patient service revenue less provision for bad debts. Under the new standard, those amounts will continue to be recognized as a reduction to net patient service revenue, however, not reflected separately as provision for bad debts, and accordingly the caption net patient service revenue less provision for bad debts will no longer be presented on the consolidated statements of operations and changes in net assets. Subsequent changes in the estimate of collectability due to a change in the financial status of a payor, for example a bankruptcy, will be recognized as bad debt expense in operating expenses. The adoption of the new standard did not have a material impact on the consolidated financial statements.

The System's revenues generally relate to contracts with patients in which our performance obligations are to provide health care services to the patients. Revenues are recorded during the period the obligations to provide health care services are satisfied. Performance obligations for revenues are recognized based on charges incurred in relation to total expected charges. The System has agreements with third-party payors that provide for payments to the System for patient services at amounts different from its established rates. Management continually reviews the contractual estimation process to incorporate updates to laws and regulations and any changes in managed care contractual terms resulting from contract renegotiations and renewals.

The System's revenues are based upon the estimated amounts that management expects to be entitled to receive from patients and third-party payors. Estimates of explicit price concessions, formerly contractual allowances, under managed care and commercial insurance plans are based upon the payment terms specified in the related contractual agreements. Revenues related to uninsured patients and uninsured copayment and deductible amounts for patients who have health care coverage may have discounts applied (uninsured discounts and contractual discounts). Management also records estimated implicit price concessions (based primarily on historical collection experience) related to uninsured accounts to record self-pay revenues at the estimated amounts that it expects to collect.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

3. Patient Receivables and Patient Service Revenue (continued)

Additionally, the System's revenues may be subject to adjustment as a result of examination by government agencies or contractors and as a result of differing interpretation of government regulations, medical diagnosis, charge coding, medical necessity, or other contract terms. Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreements with the payor, correspondence from the payor and the System's historical settlement activity, including an assessment to ensure it is probable a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known, or as years are settled or are no longer subject to such audits, reviews and investigations.

The System has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the System's expectation that the period between the time the service is provided to a patient and the time that the patient or third-party payor pays for that service will be one year or less.

The estimates for implicit price concessions are based upon management's assessment of historical write-offs and expected net collections, business and economic conditions, trends in federal, state and private employer health care coverage and other collection indicators. Management relies on the results of detailed reviews of historical write-offs and collections at facilities that represent a majority of the System's revenues and patient receivable as a primary source of information in estimating the collectability of patient receivable.

The System provides care to patients who meet certain criteria under its charity care policy. The System charges at its established rates but waives all or a portion of reimbursement. Because the System does not pursue collection of amounts determined to qualify as charity care, these revenues are not reported as net patient service revenue. Using the cost to charge ratio to approximate cost, charity care provided for the years ended June 30, 2019 and 2018, was \$6,346 and \$5,664, respectively. The state of Maryland rate system includes components within the rates to partially compensate hospitals for uncompensated care.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

4. Assets Limited as to Use

A summary of assets that are limited as to use substantially for debt service and deferred compensation trusts at June 30 is as follows:

	<u>2019</u>	<u>2018</u>
Current:		
Principal, interest, and other – bonds	\$ 3,049	\$ 3,074
Construction funds	102	99
Loss escrow account	92	94
	<u>\$ 3,243</u>	<u>\$ 3,267</u>
Noncurrent:		
Deferred compensation trusts	\$ 1,175	\$ 1,294
	<u>\$ 1,175</u>	<u>\$ 1,294</u>

The assets that are limited as to use consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Current:		
Cash and money market accounts	\$ 3,243	\$ 3,173
Mutual funds	–	94
	<u>\$ 3,243</u>	<u>\$ 3,267</u>
Noncurrent:		
Corporate or other bonds	\$ 20	\$ 35
Mutual funds	1,155	1,259
	<u>\$ 1,175</u>	<u>\$ 1,294</u>

The noncurrent assets limited as to use mutual funds are primarily invested in equities and bonds chosen by deferred compensation plan participants.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

5. Promises to Give

Promises to give are discounted and are due as follows at June 30:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 961	\$ 1,154
One to five years	2,937	3,729
More than five years	<u>2,634</u>	<u>2,736</u>
	6,532	7,619
Less discounting and allowance for uncollectible promises	<u>1,793</u>	2,079
Total promises to give, net	4,739	5,540
Less current portion of promises to give, net	<u>817</u>	981
	<u>\$ 3,922</u>	<u>\$ 4,559</u>

Promises to give include \$1,026 and \$1,225 for the years ended June 30, 2019 and 2018, respectively, related to charitable remainder trusts. This net amount represents the excess of the fair value of the related trust accounts over the net present value of the annuities to be paid out of the trust to the named beneficiaries over their estimated life expectancy.

6. Investments

Investments are held for the following uses:

	<u>2019</u>	<u>2018</u>
Principal, interest, and other – bonds	\$ 3,049	\$ 3,074
Construction funds	102	99
Loss escrow account	92	94
Deferred compensation trusts	1,175	1,294
Investments, restricted	3,057	2,729
Investments	<u>185,877</u>	<u>161,254</u>
	193,352	168,544
Less assets limited as to use, short term	<u>3,243</u>	3,267
Noncurrent investments	<u>\$ 190,109</u>	<u>\$ 165,277</u>

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

6. Investments (continued)

Long-term investments represent investments without donor restrictions and income earned on investments with and without donor restrictions.

Investments with donor restrictions are designated by the donors for expenses relating to capital projects, replacement or improvement of existing assets, or to cover the cost of services rendered as charity care and other programs.

To satisfy its long-term rate-of-return objectives, the System relies on a balanced investment strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The System targets a diversified asset allocation that places a greater emphasis on mutual fund and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Long-term investments with and without donor restrictions recorded at fair value consist of the following at June 30:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 8,602	\$ 8,602	\$ 9,076	\$ 9,059
U.S. government obligations	4,383	4,563	4,404	4,336
Corporate obligations	4,733	4,912	5,040	4,886
Mortgage-backed securities	4,713	4,762	4,128	4,039
Equity securities	34,355	49,704	33,150	41,144
Mutual funds	76,277	89,529	75,223	76,945
Private equity investments	5,524	6,986	—	—
Hedge funds	18,050	19,876	—	—
	\$ 156,637	\$ 188,934	\$ 131,021	\$ 140,409

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

6. Investments (continued)

Fair value of investments carried at cost at June 30 is as follows:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Private equity investments	\$ —	\$ —	\$ 5,524	\$ 5,759
Hedge funds	—	—	18,050	20,202
	\$ —	\$ —	\$ 23,574	\$ 25,961

The System is invested in private equity and hedge funds that are accounted for at fair value. The estimated fair value of these investments is primarily based on financial data supplied by the underlying investee fund.

	2019	2018
Investment allocation:		
Long-term investments without donor restrictions	\$ 185,877	\$ 161,254
Investments with donor restrictions	3,057	2,729
	\$ 188,934	\$ 163,983

Investment income for the years ended June 30 is as follows:

	2019	2018
Unrestricted:		
Net realized gains	\$ 1,199	\$ 6,470
Interest and dividends, net of investment expense	3,790	3,047
Gains (loss) from joint ventures	445	(1,743)
	\$ 5,434	\$ 7,774

Investment expense was \$279 and \$416 for the fiscal years ended June 30, 2019 and 2018, respectively.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

6. Investments (continued)

Other investments consist of the following at June 30:

	Carrying Value		Income (Loss)	
	2019	2018	2019	2018
Premier Class B	\$ 1,225	\$ 5,336	\$ –	\$ –
Joint ventures	7,288	7,230	445	(1,743)
	<u>\$ 8,513</u>	<u>\$ 12,566</u>	<u>\$ 445</u>	<u>\$ (1,743)</u>

Investments in joint ventures are accounted for using the equity method, unless otherwise noted, at June 30 and are as follows:

	Entity	Interest %	2019	2018
Carroll Occupational Health, LLC	FHSC	25.0	\$ 128	\$ 108
Comp Claim Management, LLC	FHSC	–	–	24
Mt. Airy Health Services, LLC	FMH	50.0	702	702
Mt. Airy Med-Services, LLC	FHSC	50.0	4,126	4,278
Mt. Airy Plaza, LLC	FHSC	50.0	(319)	(166)
Trivergent Health Alliance	FMH	33.3	100	100
Trivergent Health Alliance MSO	FMH	33.3	900	900
Advanced Health Collaborative	FRHS	–	42	42
Hopkins Health Advantage, Inc.	FMH	6.0	287	495
Behavioral Health Partners of Frederick, Inc.	FMH	50.0	–	–
Frederick Surgical Center, LLC	FHSC	40.6	764	447
MNR of Frederick, LLC	FHSC	22.5	558	300
			<u>\$ 7,288</u>	<u>\$ 7,230</u>

The fair value of these joint ventures is not readily determinable.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Investments (continued)

Group Purchasing Organization Initial Public Offering

The System has participated and owned equity in Premier Limited Partnership (Premier), which has served as a group purchasing organization for many years. This participation provides purchasing contract rates and rebates the System would not be able to obtain on its own.

During the year ended June 30, 2014, Premier restructured from a privately held company to a public company and completed an initial public offering (IPO) of its equity securities. Several financial transactions occurred with those holding equity in Premier before the IPO, including the System. As a result, the System received a cash payment of approximately \$1.1 million in exchange for 16% of its previous ownership in Premier. In addition, in exchange for the extension of the group purchasing contract, the System received partial ownership of the new public company (the Class B units). During the year ended June 30, 2014, the System received 233,669 Class B units that are earned in seven separate tranches over an 85-month period ending October 31, 2020. The opportunity will exist in the future for any unsold Class B units to be converted to the Premier public company stock.

Prior to vesting, the Class B units may be transferred or sold with the approval of Premier. The System recognized \$1,658 and \$1,043 related to the vesting of 33,381 and 33,381 Class B units for the years ended June 30, 2019 and 2018, respectively. These amounts are recorded as an investment on the accompanying consolidated balance sheets and were recognized as a reduction of supplies expense in the accompanying consolidated statements of operations, as the value of the Class B shares is tied to the group purchasing contract and is considered a vendor incentive.

During the year ended June 30, 2019, upon vesting of the fifth tranche, the System converted all existing vested Class B shares (166,906 in total) to Class A and sold them, recognizing a gain of \$280 recorded as investment income on the consolidated statements of operations.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Fair Value Measurements

Assets and liabilities recorded at fair value in the accompanying consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

FASB guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date, emphasizing that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the FASB establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The level inputs, as defined by FASB guidance for fair value measurements and disclosures, are as follows:

- Level 1 – Inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the System has the ability to access at the measurement date.
- Level 2 – Inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.
- Level 3 – Inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

7. Fair Value Measurements (continued)

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The System's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the assets or liabilities. The following tables present the System's assets and liabilities measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of June 30:

	Fair Value Measurements at Reporting Date Using			
	Fair Value at June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	\$ 42,063	\$ 42,063	\$ —	\$ —
Equity securities	49,704	49,704	—	—
U.S. government obligations	4,369	—	4,369	—
Agency securities	194	—	194	—
Corporate and other bonds	4,933	—	4,933	—
Mutual funds	90,775	90,775	—	—
Mortgage-backed securities	4,762	—	4,762	—
Private equity investments	6,986	—	—	6,986
Hedge funds	19,876	—	—	19,876
Promises to give, net	4,739	—	—	4,739
Total assets	<u>\$ 228,401</u>	<u>\$ 182,542</u>	<u>\$ 14,258</u>	<u>\$ 31,601</u>
Liabilities				
Interest rate swap liability	\$ (8,365)	\$ —	\$ (8,365)	\$ —
Total liabilities	<u>\$ (8,365)</u>	<u>\$ —</u>	<u>\$ (8,365)</u>	<u>\$ —</u>

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

7. Fair Value Measurements (continued)

	Fair Value Measurements at Reporting Date Using			
	Fair Value at June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	\$ 45,003	\$ 45,003	\$ —	\$ —
Equity securities	41,145	41,145	—	—
U.S. government obligations	4,120	—	4,120	—
Agency securities	216	—	216	—
Corporate and other bonds	4,921	—	4,921	—
Mutual funds	78,298	78,298	—	—
Mortgage-backed securities	4,039	—	4,039	—
Private equity investments	5,759	—	—	5,759
Hedge funds	20,202	—	—	20,202
Promises to give, net	5,540	—	—	5,540
Total assets	<u>\$ 209,243</u>	<u>\$ 164,446</u>	<u>\$ 13,296</u>	<u>\$ 31,501</u>
Liabilities				
Interest rate swap liability	\$ (6,706)	\$ —	\$ (6,706)	\$ —
Total liabilities	<u>\$ (6,706)</u>	<u>\$ —</u>	<u>\$ (6,706)</u>	<u>\$ —</u>

The fair value of the System's trading securities is determined by third-party service providers utilizing various methods dependent upon the specific type of investment. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Where significant inputs, including benchmark yields, broker-dealer quotes, issuer spreads, bids, offers, the London Interbank Offered Rate (LIBOR) curve, and measures of volatility, are used by these third-party dealers or independent pricing services to determine fair values, the securities are classified within Level 2. Private equity investments and hedge funds are carried at fair market value.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

7. Fair Value Measurements (continued)

Assets utilizing Level 1 inputs include exchange-traded equity securities and equity and fixed-income mutual funds. Assets and liabilities utilizing Level 2 inputs include U.S. government securities, corporate bonds, mortgage-backed securities, and interest rate swaps. Assets utilizing Level 3 inputs are promises to give, private equity investments, and hedge funds.

Interest Rate Swap

The System entered into an interest rate swap agreement in conjunction with the issuance of variable rate bonds. The swap contract is valued using models based on readily observable market parameters for all substantial terms of the contract. The fair market value of the swap agreement is included as interest rate swap contract in the accompanying consolidated balance sheets. The fair market value calculation includes a credit valuation adjustment as required of \$374 and \$360, reducing the interest rate swap agreement liability position on June 30, 2019 and 2018, respectively. The change in the fair market value of the swap agreement is included in excess of revenue over expenses, as the swap is not designated as an effective hedge.

Credit exposure associated with nonperformance by the counterparty to the derivative instrument is generally limited to the uncollateralized fair value of the asset related to instruments recognized in the balance sheets.

Other

Assets utilizing Level 3 inputs are promises to give, private equity investments, and hedge funds. Promises to give are recorded net of an allowance for uncollectible pledges and discounted to net present value. The present value of estimated future cash flows using a discount rate commensurate with the risks involved is an appropriate measure of fair value for unconditional promises to give cash and is considered Level 3. The fair value of the System's private equity and hedge fund investments is determined by third-party service providers utilizing various methods dependent upon the specific type of investment.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

7. Fair Value Measurements (continued)

The following table provides a reconciliation of the beginning and ending balances of items measured at fair value on a recurring basis in the previous table that used significant unobservable inputs (Level 3):

	Year Ended June 30	
	2019	2018
Promises to give		
Beginning balance, July 1	\$ 5,540	\$ 6,095
New pledges	430	1,397
Collections on pledges	(1,606)	(2,219)
Write-off of pledges	(137)	(216)
Changes in reserves and discounting factor	512	483
Ending balance, June 30	<u>\$ 4,739</u>	<u>\$ 5,540</u>
Private equity investments		
Beginning balance, July 1	\$ 5,759	\$ 4,746
Purchases	1,067	2,190
Gains (losses)	546	(133)
Return of capital	(386)	(1,044)
Ending balance, June 30	<u>\$ 6,986</u>	<u>\$ 5,759</u>
Hedge funds		
Beginning balance, July 1	\$ 20,202	\$ 14,384
Purchases	-	4,000
(Losses) gains	(326)	1,818
Ending balance, June 30	<u>\$ 19,876</u>	<u>\$ 20,202</u>

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

8. Property and Equipment

Property and equipment consist of the following at June 30:

	Estimated Useful Lives	2019	2018
Land	–	\$ 6,013	\$ 6,013
Land improvements	8–20 years	2,927	2,927
Buildings	20–40 years	263,051	256,701
Fixed equipment	10–20 years	23,591	23,468
Movable equipment	3–20 years	248,392	235,746
Leasehold improvements	5–20 years	32,311	32,700
		576,285	557,555
Less accumulated depreciation		351,522	329,624
		224,763	227,931
Construction in process, renovations, and deposits		8,392	9,266
		\$ 233,155	\$ 237,197

Construction in progress consists of the System’s building construction and renovations. As these projects are completed, the related assets are transferred out of construction in progress and into the appropriate asset category and are depreciated over the applicable useful lives.

Capitalized computer software, net of accumulated amortization, as of June 30, 2019 and 2018, was \$4,892 and \$2,850, respectively. Amortization of computer software was \$1,011 and \$2,773 for fiscal years 2019 and 2018, respectively.

The net book value of assets under capital lease arrangements totaled \$1,530 and \$2,316 as of June 30, 2019 and 2018, respectively. Depreciation expense related to assets under capital lease arrangements was \$876 and \$897 for the fiscal years ended June 30, 2019 and 2018, respectively.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

9. Long-Term Debt

Long-term debt consists of the following as of June 30:

	2019	2018
MHHEFA Series 2012A Bonds	\$ 93,781	\$ 94,906
MHHEFA Series 2017A Bonds	25,880	26,780
MHHEFA Series 2017B Bonds	54,215	57,490
Capital lease obligations	1,219	1,991
Deferred finance costs	(1,486)	(1,581)
	173,609	179,586
Less current maturities	5,223	5,013
	\$ 168,386	\$ 174,573

Series 2012A MHHEFA Revenue Bonds

In December 2012, the System obtained a loan of \$96,240 in MHHEFA Revenue Bonds, Frederick Memorial Hospital Issue, Series 2012A. The MHHEFA Series 2012A Bonds were issued to refund all of the MHHEFA Series 2002 Bonds and to finance a portion of certain construction and equipment costs of the System. The Series 2012A Bonds were issued with a premium of \$3,990, which is being amortized over the life of the bonds. The accumulated amortization was \$1,049 at June 30, 2019. The annual interest rate on the bond loan ranges between 3% and 5% over the term of the bond. Interest is payable semiannually on each January 1 and July 1, through July 1, 2038.

Series 2012A Bonds maturing on or after July 1, 2023, are subject to redemption prior to maturity beginning on July 1, 2022, at the option of the authority at the principal amount of the Series 2012A Bonds to be redeemed plus accrued interest thereon to the date set for redemption.

Under the provisions of the bond agreement, the System has granted to the authority a security interest in all receipts now owned and hereafter acquired. The Series 2012A Bonds are secured ratably with the Series 2017A and 2017B Bonds. The fair value of the Series 2012A MHHEFA Revenue Bonds is estimated based on quoted prices in active markets for identical assets. The fair value of the 2012A Bonds as of June 30, 2019, is estimated at \$94,659.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

9. Long-Term Debt (continued)

There is no debt service reserve requirement associated with the Series 2012A Bonds.

The bond agreement contains certain financial covenants.

Series 2017A MHHEFA Revenue Bonds

In June 2017, the System obtained a loan of \$29,000 in MHHEFA Revenue Bonds, Frederick Memorial Hospital Issue, Series 2017A. Upon settlement of the bonds, MHHEFA and the obligated group entered into a financing agreement with BB&T Community Holdings Co. (BB&T) whereby BB&T became the initial purchaser of the Series 2017A Bonds. The interest rate on the bonds is based on an index floating rate determined by BB&T equal to the applicable percentage of LIBOR plus the applicable spread plus any Tax Equity and Fiscal Responsibility Act (TEFRA) adjustment. The average interest rate on the bond loan is 2.64% for the year ended June 30, 2019. The carrying value of the 2017A Bonds approximates fair value.

The proceeds of the Series 2017A Bonds were used for completion of the 2017 project, which consists of the construction of the James M. Stockman Cancer Institute, renovations to a building used as a business center, and renovations to the sterile processing department.

Series 2017A Bonds are subject to redemption at the option of the authority at the principal amount of the Series 2017A Bonds to be redeemed plus accrued interest to the date set for redemption. The Series 2017A Bonds, which mature on July 1, 2042, are secured ratably with the Series 2017B Bonds. The System is required to make annual payments to BB&T sufficient to meet the annual debt service requirements for the succeeding year. Annual sinking fund installments for the Series 2017A Bonds range from \$7,085 on July 1, 2039, to \$5,195 on July 1, 2042.

After experiencing an increase to the effective interest rate due to the reduction of the maximum marginal tax rate of BB&T, on January 1, 2018, amendments to the financing agreement between MHHEFA, the System, and BB&T were executed that changed the definition of the applicable percentage of LIBOR and the applicable spread in the calculation of the index floating rate on the Series 2017A and 2017B Bonds. Effective April 1, 2018, these amendments resulted in a reduction of the index floating rate and interest expense related to this debt going forward.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

9. Long-Term Debt (continued)

Series 2017B MHHEFA Revenue Bonds

In June 2017, the System obtained a loan of \$60,645 in MHHEFA Revenue Bonds, Frederick Memorial Hospital Issue, Series 2017B. Upon settlement of the bonds, MHHEFA and the obligated group entered into a financing agreement with BB&T whereby BB&T became the initial purchaser of the Series 2017B Bonds. The interest rate on the bonds is based on an index floating rate determined by BB&T equal to the applicable percentage of LIBOR plus the applicable spread plus the TEFRA adjustment, if any. The average interest rate on the bond loan is 2.64% for the year ended June 30, 2019. The carrying value of the 2017B Bonds approximates fair value.

The proceeds of the Series 2017B Bonds were used to pay financing costs and for the refunding of the Series 2012B Bonds.

Series 2017B Bonds are subject to redemption at the option of the authority at the principal amount of the Series 2017B Bonds to be redeemed plus accrued interest to the date set for redemption. The Series 2017B Bonds, which mature on July 1, 2035, are secured ratably with the Series 2017A Bonds. The System is required to make annual payments to BB&T sufficient to meet the annual debt service requirements for the succeeding year. Annual sinking fund installments for the Series 2017B Bonds range from \$3,155 on July 1, 2017, to \$2,090 on July 1, 2035.

Capital Lease Obligations

As of June 30, 2019, the System has entered into certain capital lease obligations to secure major medical equipment. Future payments under these obligations are as follows:

Years ending June 30:	
2020	\$ 814
2021	431
2022	—
Total payments	<u>1,245</u>
Less interest payments	<u>26</u>
Total lease obligations, principal	1,219
Less current portion	<u>792</u>
Long-term obligations under capital leases	<u>\$ 427</u>

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Long-Term Debt (continued)

Debt service requirements on long-term debt and capital lease obligations, excluding original issue premium and deferred financing costs at June 30, 2019, of \$2,941 and \$1,486, respectively, are as follows:

	<u>Principal</u>
Years ending June 30:	
2020	\$ 5,223
2021	5,056
2022	4,875
2023	5,130
2024	5,400
Thereafter	146,470
	<u>\$ 172,154</u>

On September 9, 2013, the System entered into a \$20,000 revolving line of credit with a lending institution for the purpose of funding short-term working capital needs. The line of credit bears a variable interest rate of one-month LIBOR plus 1.5% per annum, adjusted monthly. All outstanding principal and interest must be repaid within two years of closing. The outstanding balance on this line of credit was \$0 as of June 30, 2019 and 2018, respectively. The line-of-credit agreement was amended on November 4, 2015, extending the maturity date to December 1, 2017, and decreased the revolving loan commitment from \$20,000 to \$15,000. A second amendment was made on November 30, 2017, extending the maturity date to January 31, 2020.

10. Interest Rate Swap Contract

The System records its derivatives as assets or liabilities at fair value. A derivative is typically defined as an instrument, whose value is derived from an underlying instrument, index or rate, has a notional amount, requires little or no initial investment, and can be net settled. The System participates in an interest rate swap contract that is considered a derivative financial instrument.

The System has an interest rate swap contract with a third party with a notional amount of \$53,855 on June 30, 2019, which reduces annually by an amount equal to the sinking fund installment due on bonds until maturity on July 1, 2035. The System is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap contract. However, the System does

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

10. Interest Rate Swap Contract (continued)

not anticipate nonperformance by the counterparty. Under the swap contract, the System pays interest at a fixed rate of 3.0804% per annum and receives interest at a variable rate equal to 67% of the one-month LIBOR (2.398%) as of June 28, 2019. The swap contract requires payments to be made or received monthly. The fair value of the swap contract was a liability of \$8,365 and \$6,706 at June 30, 2019 and 2018, respectively.

The System accrued net payments under its interest rate swap program of \$1,202 and \$1,583 during fiscal years 2019 and 2018, respectively. These amounts are included within realized and unrealized losses on interest rate swap contract, net, in the accompanying consolidated statements of operations and investing activities in the accompanying consolidated statements of cash flows.

The interest rate swap contract is not designated as an effective cash flow hedge. The System's objectives of entering into the interest rate swap contract include limiting or hedging variable interest rate payments to achieve lower overall borrowing costs than a comparable unhedged fixed rate borrowing, to alter the pattern of debt service payments, and to improve asset/liability matching. Changes in the fair value of the derivative financial instrument are recognized in realized and unrealized losses on interest rate swap contract, net, in the accompanying consolidated statements of operations and investing activities in the accompanying consolidated statements of cash flows. The carrying value of the System's derivative financial instrument approximates fair value. The interest rate swap contract is valued using models based on readily observable market parameters for all substantial terms of the contract.

Credit exposure associated with nonperformance by the counterparties to derivative instruments is generally limited to the uncollateralized fair value of the asset related to instruments recognized in the consolidated balance sheets. The System attempts to mitigate the risk of nonperformance by selecting counterparties with high credit ratings and monitoring their creditworthiness.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

10. Interest Rate Swap Contract (continued)

The System's derivative agreements do not contain any credit support provisions that require it to post collateral if there are declines in the derivative value or its credit rating.

Balance Sheet Location	Fair Value	
	2019	2018
Asset derivatives		
Derivatives not designated as hedging instruments:		
Interest rate contracts	\$ —	\$ —
Liability derivatives		
Interest rate swap contract	\$ 8,365	\$ 6,706
Total derivatives not designated as hedging instruments	\$ 8,365	\$ 6,706

A summary of the effect of the non-hedging derivatives on the System's consolidated statement of operations for the year ended June 30, 2019, is as follows:

Type of Non-hedging Derivatives	Statement of Operations	
	Location of Loss Recognized	Derivative Loss Recognized
Interest rate swap contract – realized loss	Other loss	\$ (1,202)
Interest rate swap contract – unrealized loss	Other loss	(1,659)
Total		\$ (2,861)

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

10. Interest Rate Swap Contract (continued)

A summary of the effect of the non-hedging derivatives on the System's consolidated statement of operations for the year ended June 30, 2018, is as follows:

Type of Non-hedging Derivatives	Statement of Operations Location of (Loss) Gain Recognized	Derivative (Loss) Gain Recognized
Interest rate swap contract – realized loss	Other loss	\$ (1,583)
Interest rate swap contract – unrealized gain	Other gain	<u>2,854</u>
Total		<u><u>\$ 1,271</u></u>

11. Employee Benefit Plans

The System has a defined benefit pension plan (the Plan) that was curtailed on June 30, 2007. The System uses a measurement date of June 30 to determine plan assets and benefit obligations. The curtailment is such that participants will no longer accrue benefits under the Plan and no new participants will be accepted. Current participant accounts will not receive any service credits or increases in benefits for post-curtailment compensation increases beyond June 30, 2007; however, the System will make annual contributions to the Plan in accordance with actuarially determined amounts to meet future accumulated benefit obligations under the frozen Plan.

Effective July 1, 2017, the Plan was amended to allow plan participants, who terminated employment prior to June 1, 2017, and have an actuarially equivalent lump-sum payment as of December 1, 2017, of \$75 or less, to elect a distribution in the form of an annuity or lump-sum payment. The number of plan participants that chose the lump-sum distribution election was 152, which resulted in a reduction of approximately \$4,800 in plan assets and benefit obligation.

A single premium guaranteed annuity contract was purchased on August 16, 2017, for 121 retired participants and beneficiaries in pay status receiving monthly annuity payments of less than \$800 dollars. This reduced the plan assets and benefit obligation by approximately \$10,106 and transferred this benefit obligation from the Plan to the insurer. The settlement expense in the period as a result of both the lump-sum payment and annuity contract purchase was \$3,544.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

11. Employee Benefit Plans (continued)

Effective July 1, 2007, a modified defined contribution plan (403b) was implemented, as described below.

The following provides a reconciliation of the changes in fair value of the Plan's assets and projected benefit obligations and the Plan's funded status based on a June 30, 2019 and 2018, measurement date:

	<u>2019</u>	<u>2018</u>
Accumulated benefit obligation	<u>\$ 57,296</u>	<u>\$ 51,808</u>
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 51,808	\$ 71,678
Service cost	–	778
Interest cost	2,136	2,272
Actuarial gain	4,264	(4,360)
Benefits paid and other expenses	(912)	(1,989)
Settlement payments	–	(14,911)
Settlement loss (gain)	–	(1,660)
Projected benefit obligation at end of year	<u>57,296</u>	<u>51,808</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	37,333	52,931
Actual return on plan assets	3,141	1,302
Employer contribution	4,000	–
Benefits paid	(912)	(1,152)
Administrative expenses	(640)	(837)
Settlement payments	–	(14,911)
Fair value of plan assets at end of year	<u>42,922</u>	<u>37,333</u>
Funded status	<u>(14,373)</u>	<u>(14,475)</u>
Net amount recognized	<u>\$ (14,373)</u>	<u>\$ (14,475)</u>

The discount rate actuarial assumption was changed from 4.17% to 3.56%, resulting in a \$5,068 increase in the projected benefit obligation as of June 30, 2019.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

11. Employee Benefit Plans (continued)

Net amounts recognized in net assets without donor restrictions that have not been recognized in net periodic benefit cost are as follows:

	June 30	
	2019	2018
Net actuarial loss	\$ 8,845	\$ 6,292
Prior service cost	29	82
Total recognized in unrestricted net assets	<u>\$ 8,874</u>	<u>\$ 6,374</u>

The following table sets forth the weighted average assumptions used to determine benefit obligations:

	June 30	
	2019	2018
Discount rate	3.56%	4.17%
Rate of compensation increase	N/A	N/A

The following table sets forth the weighted average assumptions used to determine net periodic benefit cost:

	Year Ended June 30	
	2019	2018
Discount rate	4.17%	3.85%
Expected return on plan assets	3.75%	3.75%
Rate of compensation increase	N/A	N/A

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

11. Employee Benefit Plans (continued)

Net periodic pension cost included the following components:

	2019	2018
Service costs	\$ —	\$ 778
Interest cost	2,136	2,272
Expected return on plan assets	(965)	(1,561)
Amortization of prior service cost	52	52
Amortization of net loss	176	1,275
Settlement	—	3,544
Net periodic pension cost	\$ 1,399	\$ 6,360

The estimated net loss that is expected to be amortized from other changes in net assets without donor restrictions into net periodic benefit cost for the year ending June 30, 2020, is \$526.

The System determines the expected long-term rate of return on plan assets by taking into consideration the historical returns of various asset classes and the types of investments the Plan is expected to hold.

The Plan's asset allocation as of the measurement date presented as a percentage of total plan assets was as follows:

	2019	2018
Equity securities	25%	26%
Debt securities	63	59
Cash	—	1
Hedge funds	12	14
Total	100%	100%

The Plan's assets are recorded at fair value and are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

11. Employee Benefit Plans (continued)

FASB guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date, emphasizing that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the FASB establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The level inputs, as defined by FASB guidance for fair value measurements and disclosures, are as follows:

- Level 1 – Inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the System has the ability to access at the measurement date.
- Level 2 – Inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.
- Level 3 – Inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

11. Employee Benefit Plans (continued)

The System's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the assets or liabilities. The following tables present the Plan's assets and liabilities measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of June 30:

	Fair Value Measurements at Reporting Date Using			
	Fair Value at June 30 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	\$ 5	\$ 5	\$ -	\$ -
Equity securities	10,685	10,685	-	-
Fixed income mutual funds	27,335	27,335	-	-
Hedge funds and other alternative	4,897	-	-	4,897
Total assets	\$ 42,922	\$ 38,025	\$ -	\$ 4,897

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

11. Employee Benefit Plans (continued)

	Fair Value Measurements at Reporting Date Using			
	Fair Value at June 30 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	\$ 744	\$ 744	\$ –	\$ –
Equity securities	9,583	9,583	–	–
Fixed income mutual funds	22,132	22,132	–	–
Hedge funds and other alternative	4,874	–	–	4,874
Total assets	\$ 37,333	\$ 32,459	\$ –	\$ 4,874

The following table provides a reconciliation of the beginning and ending balances of items measured at fair value on a recurring basis in the previous table that used significant unobservable inputs (Level 3):

	Hedge Funds	Total
Balance at June 30, 2017	\$ 4,874	\$ 4,874
Purchases	–	–
Settlements	–	–
Gains, net	–	–
Balance at June 30, 2018	4,874	4,874
Purchases	–	–
Settlements	–	–
Gains, net	23	23
Balance at June 30, 2019	\$ 4,897	\$ 4,897

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

11. Employee Benefit Plans (continued)

The fair value of the Plan's trading securities is determined by third-party service providers utilizing various methods dependent upon the specific type of investment. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Assets utilizing Level 1 inputs include exchange-traded equity securities and equity and fixed income mutual funds. Assets utilizing Level 3 inputs are hedge funds.

The hedge funds are accounted for at fair value, which has been estimated using the net asset value per share of the fund as of June 30, 2019.

Assets of the Plan are invested in a manner consistent with fiduciary standards of the Employee Retirement Income Security Act of 1974, namely: (a) the safeguards and diversity to which a prudent investor would adhere must be present and (b) all transactions undertaken on behalf of the Plan must be for the sole interest of plan participants and beneficiaries to provide benefits in a prudent manner. Investment objectives of the Plan also include the following:

- Achieve an annualized total return that equals or exceeds the actuarial target
- Preserve the value of the Plan's assets
- Diversify assets sufficiently and, in accordance with modern portfolio theory, avoid large specific risks (losses) and minimize the volatility of the portfolio
- Provide sufficient liquidity to plan benefit payment outflows and meet the Plan's requirements

The strategic target asset allocation for the Plan is 20% in equities, 62% in fixed income securities, 10% in hedge funds, 5% real estate, and 3% in cash.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

11. Employee Benefit Plans (continued)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2020	\$	1,615
2021		1,720
2022		1,960
2023		2,170
2024		2,360
2025–2029		13,970

The System also has a tax-deferred annuity savings (403(b)) plan available to substantially all employees. In conjunction with the curtailment of the defined benefit pension plan, the System modified the 403(b) plan effective July 1, 2007. Effective January 1, 2018, the plan was amended such that all new hires will be automatically enrolled in the 403(b) plan at 3% of employee earnings, which will be automatically increased 1% annually up to 10%. Employees can opt out of this automatic enrollment and annual increase. The System will match 100% on employee contributions up to 5.0% of employee earnings. Base contributions continue for employees with 5 to 10 years of service at 0.5% and 1.0% for employees with over 10 years of service. The System's contribution for base matching and transition credits totaled \$5,791 and \$6,407 for fiscal years 2019 and 2018, respectively.

In December 2005, the System adopted two nonqualified deferred compensation plans with an effective date of December 15, 2004, for certain members of executive management. Under these plans, participating employees may contribute amounts from their compensation to the plan and may receive a discretionary employer contribution. Employees are fully vested in all employee contributions to the plans. Vesting in employer contributions occurs in accordance with the underlying plan documents. All assets of the plans are held in separate trusts. Total contributions by the System to the plans were \$422 and \$449 for the years ended June 30, 2019 and 2018, respectively.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

12. Concentration of Credit Risk

The System has funds on deposit with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation. The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors (in percentages) at June 30 was as follows:

	2019	2018
Medicare	28%	29%
Medicaid	18	18
Blue Cross	15	13
HMOs and PPOs	15	17
Commercial insurance and other third-party payors	7	7
Patients	17	16
	100%	100%

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

13. Functional Expenses

The System and its subsidiaries provide general health care services to residents within its geographic location. Expenses related to providing these services are as follows:

	Program	General and Administrative	Total
Year ended June 30, 2019			
Salaries and wages	\$ 144,180	\$ 24,053	\$ 168,233
Employee benefits	31,335	4,300	35,635
Professional fees	10,258	4,335	14,593
Cost of goods sold	70,231	146	70,377
Supplies	10,913	589	11,502
Contract services	62,108	12,069	74,177
Other	10,121	3,100	13,221
Utilities	3,707	944	4,651
Insurance	921	1,842	2,763
Depreciation	21,566	1,282	22,848
Interest	5,465	382	5,847
	\$ 370,805	\$ 53,042	\$ 423,847
Year ended June 30, 2018			
Salaries and wages	\$ 138,160	\$ 20,632	\$ 158,792
Employee benefits	29,470	4,191	33,661
Professional fees	11,389	4,755	16,144
Cost of goods sold	61,419	122	61,541
Supplies	10,518	703	11,221
Contract services	61,006	14,538	75,544
Other	9,567	3,702	13,269
Utilities	3,627	898	4,525
Insurance	1,001	2,435	3,436
Depreciation	23,350	1,778	25,128
Interest	4,858	366	5,224
	\$ 354,365	\$ 54,120	\$ 408,485

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

14. Net Assets

Net assets with temporary donor restrictions are available for the following purposes or periods at June 30:

	<u>2019</u>	<u>2018</u>
Health care services:		
Buildings and equipment	\$ 4,681	\$ 5,075
Restricted by time only	1,094	1,294
Education programs	605	510
Indigent care and research	440	412
	<u>\$ 6,820</u>	<u>\$ 7,291</u>

Net assets with permanent donor restrictions consist of investments to be held in perpetuity, the income from which is expendable for:

	<u>2019</u>	<u>2018</u>
General health care services (reported as other operating revenue)	\$ 971	\$ 971
Specific health care services (reported as net assets released from restrictions)	5	5
	<u>\$ 976</u>	<u>\$ 976</u>

During 2019 and 2018, net assets were released from donor restrictions by incurring expenses or capital expenditures satisfying the restricted purposes in the amounts of \$1,220 and \$2,503, respectively.

15. Contingencies

The System has been named as a defendant in various legal proceedings arising from the performance of its normal activities. In the opinion of management, after consultation with legal counsel and after consideration of applicable insurance, the amount of the System's ultimate liability under all current legal proceedings will not have a material adverse effect on its consolidated financial position or results of operations.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

15. Contingencies (continued)

The System is partially self-insured against employee medical claims. Expenses include claims paid and a provision for claims incurred but not reported. As of June 30, 2019 and 2018, the System has recorded a liability for claims incurred but not reported of \$2,027 and \$1,685, respectively. The program has an annual aggregate stop-loss provision of \$500 per employee.

On July 1, 2011, MIL, a single-parent captive, was created to provide a flexible risk financing structure to meet the needs of the System's organization. As of June 30, 2012, MIL provided FMH with Primary Medical Professional Liability and Primary General Liability coverage with policy limits of liability of \$1,000 each and every medical incident with a \$3,000 annual aggregate for the 2011/2012 policy year and with a \$5,000 annual aggregate for the 2012/2013 policy year through to the 2017/2018 policy year. Effective for the 2018/2019 policy year, MIL provides FMH with Primary Medical Professional Liability (MPL) and Primary General Liability (GL) coverage with policy limits of liability of \$1,000 per claim/per occurrence for both MPL and GL separately, with a \$4,000 aggregate for both MPL and GL combined. The Company also issued a Buffer Medical Professional Liability and General Liability policy providing limits of liability of \$1,000 each and every medical incident with a \$2,000 aggregate, for Medical Professional Liability and General Liability combined. The MIL Primary Policy coverage form is mature claims-made with a retroactive date of July 1, 2005. The policy funding is retrospectively rated.

MIL has also issued an Excess Umbrella Liability mature claims-made policy with a retroactive date of July 1, 2005. This policy is structured on a "dualtower" design. The Excess Medical Professional Liability Tower follows the form of the underlying Primary Medical Professional Liability coverage providing \$20,000 limits of liability (\$10,000 prior to July 1, 2016). The Umbrella Liability Tower provides \$20,000 limits of liability (\$10,000 prior to July 1, 2016) excess of scheduled underlying coverages. The "dualtowers" are 100% reinsured with a commercial carrier with an AM Best rating of A- or better.

Effective June 30, 2012, MIL assumed Professional Liability and Comprehensive General Liability coverage previously included under FMH's self-insured plan, for incidents occurring between July 1, 2005 and June 30, 2011, that were reported to FMH prior to June 30, 2011. The policy provides limits of liability of \$1,000 each and every medical incident for the hospital professional liability and \$1,000 each and every medical incident for comprehensive general liability. The policy is subject to a \$3,000 annual aggregate for the hospital professional liability and comprehensive general liability combined, which applies to each covered year separately on a claims-made basis.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

15. Contingencies (continued)

Effective June 30, 2012, MIL further assumed Professional Liability and Comprehensive General Liability coverage previously included under another FMH self-insurance plan, for incidents occurring between July 1, 1999 and June 30, 2001, with a limit of liability of \$100 per claim. The Primary Medical Professional and Primary General Liability policy is 100% MIL retained risk. The Excess Umbrella Liability coverage is fully reinsured with a commercial carrier with an AM Best rating of A- or better.

Effective September 1, 2017, MIL issued a Cyber Deductible Liability Policy to the System at a per claim limit of liability of \$100 and an annual aggregate limit of \$200. The policy funding is retrospectively rated.

There are known claims and incidents that could result in the assertion of additional claims, as well as claims from unknown incidents that could be asserted arising from services provided to patients. Through MIL, a wholly owned subsidiary, the System maintains reserves, including excess coverage, in the amount of \$16,042 and \$15,186 at June 30, 2019 and 2018, respectively, and a related reinsurance receivable of \$6,410 and \$6,605 at June 30, 2019 and 2018, respectively. The System employs an independent actuary to estimate the ultimate settlement of such claims.

These reserves are recorded on an undiscounted basis at June 30, 2019 and 2018. In management's opinion, the amounts recorded provide an adequate reserve for loss contingencies. However, changes in circumstances affecting professional liability claims could cause these estimates to change by material amounts in the short term.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

16. Commitments

Operating Leases

The System and its subsidiaries lease facilities under various operating leases, the last of which expires in 2030. The System has various options to renew the leases. The System also leases equipment under various operating leases. Rent expense under all operating leases was \$4,142 and \$4,489 for 2019 and 2018, respectively. Future minimum payments under noncancelable operating leases are as follows:

Years ending June 30:	
2020	\$ 3,361
2021	3,162
2022	3,210
2023	3,136
2024	2,666
Thereafter	14,528
	<u>\$ 30,063</u>

Workers' Compensation

The System is self-insured against workers' compensation claims, currently up to \$600 per occurrence. Excess insurance attaches at \$600 and has unlimited liability above this amount. Expenses include claims paid, reserves on known claims, and reserves on unreported claims (incurred but not reported).

Letter of Credit

The System has a letter of credit issued by a lending institution in the amount of \$1,046. This letter of credit is renewed on an annual basis and is required by the state of Maryland as collateral for unemployment benefits.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

17. Liquidity and Availability

Financial assets available for general expenditure within one year of the balance sheet date comprise the following at June 30, 2019:

Cash and cash equivalents	\$	42,063
Patient accounts receivable, net		48,170
Promises to give, net		817
Other receivables		3,435
Investments with daily and weekly liquidity		154,737
Total	\$	<u>249,222</u>

The System's most restrictive bond covenant requires the obligated group to maintain unrestricted cash and marketable securities on hand to meet 75 days of normal operating expenses, which would be \$80,802 as of June 30, 2019.

18. Regulatory Environment

Medicare and Medicaid

The Medicare and Medicaid reimbursement programs represent a substantial portion of the System's revenues. The System's operations are subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse.

Over the past several years, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of fines and penalties, as well as repayments for patient services previously billed. Compliance with fraud and abuse standards and other government regulations can be subject to future government review and interpretation.

Also, future changes in federal and state reimbursement funding mechanisms and related government budgeting constraints could have an adverse effect on the System.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

18. Regulatory Environment (continued)

In 1983, Congress approved a Medicare prospective payment plan for most inpatient services as part of the Social Security Amendments Act of 1983. Hospitals in Maryland are currently exempt from these federal reimbursement regulations under a special waiver. The waiver currently in effect is subject to renewal based upon criteria defined in the federal law. Under these payment arrangements with Medicare, a retroactive adjustment could occur if certain performance standards are not attained by all hospitals on a statewide basis. The impact, if any, of any retroactive adjustment of the Medicare prospective payment system, should hospitals in Maryland become subject to such system, on future operations of the System has not been determined.

State of Maryland Health Services Cost Review Commission

Certain hospital charges are subject to review and approval by the Maryland Health Services Cost Review Commission (HSCRC or the Commission). Hospital management has filed the required forms with the Commission and believes the hospital to be in compliance with the Commission's requirements.

Through June 2019, the current rate of reimbursement for principally all inpatient services and certain other services to patients under the Medicare and Medicaid programs is based on an agreement between CMS and the Commission. This agreement is based upon a waiver from Medicare prospective payment system reimbursement principles granted to the state of Maryland under Section 1814(b) of the Social Security Act. As of January 2014, CMS approved a modernized waiver that will be in place as long as Maryland hospitals commit to achieving significant quality improvements, limits on all-payor per capita hospital growth, and limits on annual Medicare per capita hospital cost growth to a rate lower than the national annual per capita growth rate.

Starting in January 2019, Maryland's hospitals began operating under a new 10-year contract with the federal government entitled Maryland Total Cost of Care Model (TCOC). TCOC is designed to test whether the improvements hospitals have made under the previous modernized waiver can be expanded to all health care providers. The GBR methodology will remain in place for hospital rate setting under the TCOC model. In addition, programs aimed to measure and reduce total health care spending for attributed Medicare patients, including pre- and post-acute care by all providers, are being introduced and will be further defined in the next fiscal year.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

18. Regulatory Environment (continued)

Beginning in fiscal year 2014, the System entered into an agreement with HSCRC to participate in the Global Budgeted Revenue (GBR) program. GBR methodology encourages hospitals to focus on population health strategies by establishing a fixed annual revenue cap for each GBR hospital. The agreement is evergreen in nature and covers both regulated inpatient and outpatient revenues.

Under GBR, hospital revenue is known at the beginning of each fiscal year. Annual revenue is calculated from a base year and is adjusted annually for inflation, infrastructure requirements, population changes, performance in quality-based programs, and changes in levels of uncompensated care. Revenue may also be adjusted annually for market levels and shifts of services to unregulated services.

The Commission's rate-setting methodology for hospital service centers consists of establishing an acceptable unit rate for defined inpatient and outpatient service centers within the System. The actual average unit charge for each service center is compared to the approved rate monthly and annually.

Overcharges and undercharges due to either patient volume or price variances, adjusted for penalties where applicable, are applied to decrease (in the case of overcharges) or increase (in the case of undercharges) future approved rates on an annual basis. The System exceeded the allowable target by \$117 and \$1,616 for the years ended June 30, 2019 and 2018, respectively, which are both within the allowable variance threshold of 0.5%, and no immediate corrective action is required for either year.

The timing of HSCRC's rate adjustments for the System could result in an increase or reduction in rates due to the variances and penalties described above in a year subsequent to the year in which such items occur, and there is at least a possibility that the amounts may be material. The System's policy is to record revenue based on actual charges for services to patients in the year in which the services are performed. The System recognizes unbilled revenue for in-house patients.

HSCRC established an uncompensated care fund whereby certain hospitals are required to contribute to the fund to help cover the costs associated with uncompensated care for all Maryland hospitals equitably. The System's contribution to the fund was \$19 and \$490 for the years ended June 30, 2019 and 2018, respectively.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

19. Subsequent Events

The System has evaluated subsequent events through September 30, 2019, the date of issuance of these consolidated financial statements.

The System is unaware of any significant subsequent events that would require recognition or disclosure at this time.

Supplementary Information

Frederick Regional Health System, Inc. and Subsidiaries

Supplementary Consolidating Balance Sheet
(Dollars in Thousands)

June 30, 2019

	Frederick Regional Health System, Inc.	Frederick Memorial Hospital, Inc. Consolidated	Monocacy Insurance, Ltd.	Monocacy Health Partners, LLC	Frederick Health Services Corporation	Frederick Integrated Healthcare Network, LLC	Elimination	Frederick Regional Health System, Inc. Consolidated
Assets								
Current assets:								
Cash and cash equivalents	\$ 29	\$ 25,542	\$ 967	\$ 1,049	\$ 2,383	\$ 340	\$ -	\$ 30,310
Patient receivables	-	42,212	-	5,328	630	-	-	48,170
Other receivables	-	3,338	-	96	-	-	-	3,434
Inventory	-	4,508	-	937	-	-	-	5,445
Prepaid expenses	-	3,325	6	-	178	-	-	3,509
Assets limited as to use	-	3,151	92	-	-	-	-	3,243
Promises to give, net	-	817	-	-	-	-	-	817
Total current assets	29	82,893	1,065	7,410	3,191	340	-	94,928
Net property and equipment		225,980	-	2,644	4,531			233,155
Other assets:								
Assets limited as to use	-	1,175	-	-	-	-	-	1,175
Investments – donor restricted	-	3,057	-	-	-	-	-	3,057
Promises to give, net	-	3,922	-	-	-	-	-	3,922
Long-term investments	-	171,801	14,076	-	-	-	-	185,877
Other investments	275,858	19,544	-	-	5,256		(292,145)	8,513
Other assets	-	14,567	6,333	-	555	-	(14,899)	6,556
Intercompany receivables	-	5,089	-	-	-	-	(5,089)	-
Total other assets	275,858	219,155	20,409	-	5,811	-	(312,133)	209,100
Total assets	\$ 275,887	\$ 528,028	\$ 21,474	\$ 10,054	\$ 13,533	\$ 340	\$ (312,133)	\$ 537,183

Frederick Regional Health System, Inc. and Subsidiaries

Supplementary Consolidating Balance Sheet (continued)
(Dollars in Thousands)

June 30, 2019

	Frederick Regional Health System, Inc.	Frederick Memorial Hospital, Inc. Consolidated	Monocacy Insurance, Ltd.	Monocacy Health Partners, LLC	Frederick Health Services Corporation	Frederick Integrated Healthcare Network, LLC	Elimination	Frederick Regional Health System, Inc. Consolidated
Liabilities and net assets								
Current liabilities:								
Current maturities of long-term debt, line of credit, and capital lease obligations	\$ -	\$ 5,223	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,223
Accounts payable	-	22,726	-	31	258	104	-	23,119
Accrued expenses	-	21,449	100	4,007	849	-	-	26,405
Advances from third-party payors	-	7,722	-	-	-	-	-	7,722
Loans payable, affiliates	-	-	-	-	4,445	-	(4,445)	-
Other current liabilities	-	1,728	8,513	888	-	-	(8,513)	2,616
Total current liabilities	-	58,848	8,613	4,926	5,552	104	(12,958)	65,085
Long-term liabilities, net of current portion:								
Long-term debt and capital lease obligations	-	168,386	-	-	-	-	-	168,386
Interest rate swap contract	-	8,365	-	-	-	-	-	8,365
Accrued pension expense	-	14,373	-	-	-	-	-	14,373
Other long-term liabilities	-	8,925	12,741	347	1,417	-	(1,941)	21,489
Intercompany liabilities	72	-	-	4,781	-	236	(5,089)	-
Total long-term liabilities, net of current portion	72	200,049	12,741	5,128	1,417	236	(7,030)	212,613
Total liabilities	72	258,897	21,354	10,054	6,969	340	(19,988)	277,698
Net assets:								
Without donor restrictions	275,815	261,335	120	-	6,564	-	(292,145)	251,689
With donor restrictions	-	7,796	-	-	-	-	-	7,796
Total net assets	275,815	269,131	120	-	6,564	-	(292,145)	259,485
Total liabilities and net assets	\$ 275,887	\$ 528,028	\$ 21,474	\$ 10,054	\$ 13,533	\$ 340	\$ (312,133)	\$ 537,183

Frederick Regional Health System, Inc. and Subsidiaries

Supplementary Consolidating Statements of Operations and Changes In Net Assets (Dollars in Thousands)

Year Ended June 30, 2019

	Frederick Regional Health System, Inc.	Frederick Memorial Hospital, Inc.	Monocacy Insurance, Ltd.	Monocacy Health Partners, LLC	Frederick Health Services Corporation	Frederick Integrated Healthcare Network, LLC	Elimination	Frederick Regional Health System, Inc. Consolidated
Net patient service revenue	\$ -	\$ 358,906	\$ -	\$ 59,604	\$ 5,707	\$ -	\$ (218)	\$ 423,999
Other	-	9,523	3,374	1,285	2,711	562	(7,499)	9,956
Total unrestricted revenues	-	368,429	3,374	60,889	8,418	562	(7,717)	433,955
Operating expenses:								
Salaries and contract labor	-	131,365	-	31,310	4,494	1,064	-	168,233
Employee benefits	-	28,863	-	5,633	1,175	219	(255)	35,635
Professional fees	-	14,628	158	227	17	307	(744)	14,593
Cost of goods sold	-	39,266	-	30,294	817	-	-	70,377
Supplies	-	10,936	-	556	-	10	-	11,502
Contract services	-	71,051	-	4,151	419	112	(1,556)	74,177
Other	-	10,509	119	3,274	1,097	6	(1,784)	13,221
Utilities	-	4,342	-	165	129	15	-	4,651
Insurance	-	1,180	4,044	819	96	-	(3,376)	2,763
Depreciation and amortization	-	22,030	-	520	298	-	-	22,848
Interest	-	5,836	-	-	238	-	(227)	5,847
Total operating expenses	-	340,006	4,321	76,949	8,780	1,733	(7,942)	423,847
Operating income (loss)	-	28,423	(947)	(16,060)	(362)	(1,171)	225	10,108

Frederick Regional Health System, Inc. and Subsidiaries

Supplementary Consolidating Statements of Operations and Changes In Net Assets (continued) (Dollars in Thousands)

Year Ended June 30, 2019

	Frederick Regional Health System, Inc.	Frederick Memorial Hospital, Inc.	Monocacy Insurance, Ltd.	Monocacy Health Partners, LLC	Frederick Health Services Corporation	Frederick Integrated Healthcare Network, LLC	Elimination	Frederick Regional Health System, Inc. Consolidated
Other income, net:								
Gain on sale of assets	\$ -	\$ 20	\$ -	\$ (34)	\$ -	\$ -	\$ -	\$ (14)
Loss on extinguishment of debt	-	-	-	-	-	-	-	-
Investment income (loss)	19,948	4,980	25	1	653	-	(20,173)	5,434
Change in unrealized losses on trading securities, net	-	7,167	922	-	-	-	-	8,089
Realized and unrealized gains (losses) on interest rate swap contract, net	-	(2,861)	-	-	-	-	-	(2,861)
Periodic pension expense	-	(1,231)	-	(168)	-	-	-	(1,399)
Pension settlement expense	-	-	-	-	-	-	-	-
Other nonoperating income (loss)	-	-	-	-	108	-	-	108
Total other income, net	19,948	8,075	947	(201)	761	-	(20,173)	9,357
Excess of revenue over expenses	19,948	36,498	-	(16,261)	399	(1,171)	(19,948)	19,465
Other changes in net assets without donor restrictions:								
Pension adjustment	-	(2,500)	-	-	-	-	-	(2,500)
Other changes in unrestricted net assets*	332	(75,082)	-	74,081	-	3,517	-	2,848
Released from restriction used to purchase capital	-	938	-	-	-	-	-	938
Total other changes in net assets without donor restrictions	332	(76,644)	-	74,081	-	3,517	-	1,286
Increase (decrease) in net assets without donor restrictions	20,280	(40,146)	-	57,820	399	2,346	(19,948)	20,751
Net assets with donor restrictions:								
Released from restriction used to purchase capital	-	(938)	-	-	-	-	-	(938)
Assets released from restrictions	-	(282)	-	-	-	-	-	(282)
Restricted gifts, bequests, and contributions	-	749	-	-	-	-	-	749
Decrease in net assets with donor restrictions	-	(471)	-	-	-	-	-	(471)
Increase in net assets	20,280	(40,617)	-	57,820	399	2,346	(19,948)	20,280
Net assets, beginning of year	255,535	309,748	120	(57,820)	6,165	(2,346)	(272,197)	239,205
Net assets, end of year	\$ 275,815	\$ 269,131	\$ 120	\$ -	\$ 6,564	\$ -	\$ (292,145)	\$ 259,485

* Includes the effects of the adoption of ASU 2016-01 Recognition and Measurement of Financial Assets and Financial Liabilities and the board resolution to cancel intercompany liabilities exceeding subsidiaries' net assets.

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