

Mr. Jim Gregory
Peninsula Regional Medical Center
100 East Carroll Street
Salisbury, Maryland 21801

Dear Jim:

Enclosed are copies of your income tax returns for the tax year ended June 30, 2011 for:

PENINSULA REGIONAL MEDICAL CENTER as follows...

2010 8453-EO – Exempt Organization Declaration for E-filing
2010 Form 990 – Return of Organization Exempt from Income Tax

The returns were e-filed with the Internal Revenue Service on your behalf. These copies should be retained for your files. You should not separately file a copy of the returns with the IRS.

The enclosed returns were prepared primarily from data and information which you submitted to us. You should review the returns to ensure that there are no omissions or misstatements.

The copy of Form 990 for public disclosure purposes has the contributor names and addresses redacted on Schedule B since they are not open to public inspection. This copy should be retained at your principal place of business.

Should your returns be reviewed at some future time by the taxing authorities, you may be called upon to produce books, records, or other documents supporting items of tax significance. We recommend therefore that you retain and safeguard such material.

Prior to preparing your tax returns, we provided you along with the engagement letter summaries of transactions identified by the IRS as “Listed Transactions.” We asked questions to determine if you had participated in such a transaction [or any other Reportable Transaction] requiring disclosure with the tax returns. We have prepared your tax returns based on the information that was provided in response to this questionnaire. If you indicated that you have not participated in any such transactions or you have not responded to our inquiries related to this request, your tax return(s) was/were prepared without any disclosure statement for these transactions. Otherwise, we have prepared your tax return(s) accordance with the information you provided to us, and have attached the appropriate “Disclosure Statement(s) For Reportable Transaction” to your tax return.

Mr. Jim Gregory
Peninsula Regional Medical Center

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If a copy of a Disclosure Statement For Reportable Transaction must also be filed with the Office of Tax Shelter Analysis, we have included an extra copy of that disclosure statement and filing instructions for it. E&Y will not be liable for any penalties resulting from your failure to provide us with accurate and timely information regarding such transactions or to timely file the required disclosure statements.

If you have any questions, please contact us.

Very truly yours,

Emily A. Stancil

Emily A. Stancil
Tax Manager

Enclosures

PENINSULA REGIONAL MEDICAL CENTER
Instructions for E-filed
Form 990 with Sch. A - Exempt Under 501(c) (3)
For the period ended June 30, 2011

Signature ...

The file copy and public inspection copy of the returns should be signed by an officer, title indicated, and dated on page 1.

Filing ...

The federal copy of the return was e-filed by us on your behalf. Do not separately file a copy of the Form 990 with the Internal Revenue Service.

Payment of tax ...

No payment of tax is required.

Exempt Organization Declaration and Signature for Electronic Filing

For calendar year 2010, or tax year beginning 07/01, 2010, and ending 06/30, 20 11
For use with Forms 990, 990-EZ, 990-PF, 1120-POL, and 8868
▶ See instructions on back.

2010

Department of the Treasury
Internal Revenue Service

Name of exempt organization

PENINSULA REGIONAL MEDICAL CENTER

Employer identification number

52-0591628

Part I Type of Return and Return Information (Whole Dollars Only)

Check the box for the type of return being filed with Form 8453-EO and enter the applicable amount, if any, from the return. If you check the box on line 1a, 2a, 3a, 4a, or 5a below and the amount on that line of the return being filed with this form was blank, then leave line 1b, 2b, 3b, 4b, or 5b, whichever is applicable, blank (do not enter -0-). If you entered -0- on the return, then enter -0- on the applicable line below. Do not complete more than one line in Part I.

- 1a Form 990 check here **b Total revenue, if any (Form 990, Part VIII, column (A), line 12) 1b** 397288036.
- 2a Form 990-EZ check here **b Total revenue, if any (Form 990-EZ, line 9) 2b** _____
- 3a Form 1120-POL check here **b Total tax (Form 1120-POL, line 22) 3b** _____
- 4a Form 990-PF check here **b Tax based on investment income (Form 990-PF, Part VI, line 5) 4b** _____
- 5a Form 8868 check here **b Balance due (Form 8868, line 3c) 5b** _____

Part II Declaration of Officer

- 6 I authorize the U.S. Treasury and its designated Financial Agent to initiate an Automated Clearing House (ACH) electronic funds withdrawal (direct debit) entry to the financial institution account indicated in the tax preparation software for payment of the organization's federal taxes owed on this return, and the financial institution to debit the entry to this account. To revoke a payment, I must contact the U.S. Treasury Financial Agent at 1-888-353-4537 no later than 2 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment.
- If a copy of this return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I certify that I executed the electronic disclosure consent contained within this return allowing disclosure by the IRS of this Form 990/990-EZ/990-PF (as specifically identified in Part I above) to the selected state agency(ies).

Under penalties of perjury, I declare that I am an officer of the above named organization and that I have examined a copy of the organization's 2010 electronic return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that the amount in Part I above is the amount shown on the copy of the organization's electronic return. I consent to allow my intermediate service provider, transmitter, or electronic return originator (ERO) to send the organization's return to the IRS and to receive from the IRS (a) an acknowledgement of receipt or reason for rejection of the transmission, (b) the reason for any delay in processing the return or refund, and (c) the date of any refund.

Sign Here ▶ *Brucel R. Stancil* | 5/15/12 | Chief Financial Officer
Signature of officer | Date | Title

Part III Declaration of Electronic Return Originator (ERO) and Paid Preparer (see instructions)

I declare that I have reviewed the above organization's return and that the entries on Form 8453-EO are complete and correct to the best of my knowledge. If I am only a collector, I am not responsible for reviewing the return and only declare that this form accurately reflects the data on the return. The organization officer will have signed this form before I submit the return. I will give the officer a copy of all forms and information to be filed with the IRS, and have followed all other requirements in Pub. 4163, Modernized e-File (MeF) Information for Authorized IRS e-file Providers for Business Returns. If I am also the Paid Preparer, under penalties of perjury I declare that I have examined the above organization's return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. This Paid Preparer declaration is based on all information of which I have any knowledge.

ERO's Use Only	ERO's signature ▶ <u>Emily A. Stancil</u>	Date <u>05/15/2012</u>	Check if also paid preparer <input checked="" type="checkbox"/>	Check if self-employed <input type="checkbox"/>	ERO's SSN or PTIN <u>P00115650</u>
	Firm's name (or yours if self-employed), address, and ZIP code ▶ <u>ERNST & YOUNG U.S. LLP</u> <u>75 BEATTIE PLACE, SUITE 800</u> <u>GREENVILLE SC 29601</u>	EIN <u>34-6565596</u>		Phone no. <u>864-242-5740</u>	

Under penalties of perjury, I declare that I have examined the above return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer is based on all information of which the preparer has any knowledge.

Paid Preparer's Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.

For Privacy Act and Paperwork Reduction Act Notice, see back of form.

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Department of the Treasury
Internal Revenue Service

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 2010 calendar year, or tax year beginning 07/01, 2010, and ending 06/30, 2011

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization PENINSULA REGIONAL MEDICAL CENTER Doing Business As			D Employer identification number 52-0591628	
	Number and street (or P.O. box if mail is not delivered to street address)		Room/suite	E Telephone number (410) 546-6400	
	City or town, state or country, and ZIP + 4 SALISBURY, MD 21801			G Gross receipts \$ 469,092,623.	
	F Name and address of principal officer: MARGARET NALEPPA, CEO 100 EAST CARROLL STREET SALISBURY, MD 21801			H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list. (see instructions)	
I Tax-exempt status: <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ◀ (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		J Website: ▶ WWW.PENINSULA.ORG			H(c) Group exemption number ▶
K Form of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		L Year of formation: 1897	M State of legal domicile: MD		

Part I Summary

1		Briefly describe the organization's mission or most significant activities: IMPROVE THE HEALTH OF THE COMMUNITIES WE SERVE.		
2		Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.		
Activities & Governance	3	Number of voting members of the governing body (Part VI, line 1a)	3	16.
	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	14.
	5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	3,181.
	6	Total number of volunteers (estimate if necessary)	6	203.
	7a	Total gross unrelated business revenue from Part VIII, column (C), line 12	7a	1,244,279.
	b	Net unrelated business taxable income from Form 990-T, line 34	7b	-163,940.
Revenue	8	Contributions and grants (Part VIII, line 1h)	338,220.	173,096.
	9	Program service revenue (Part VIII, line 2g)	370,978,477.	382,714,431.
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	10,994,124.	13,455,158.
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	961,189.	945,351.
	12	Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	383,272,010.	397,288,036.
	Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)	0.
14		Benefits paid to or for members (Part IX, column (A), line 4)	0.	0.
15		Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	173,677,704.	174,993,931.
16 a		Professional fundraising fees (Part IX, column (A), line 11e)	0.	0.
b		Total fundraising expenses (Part IX, column (D), line 25) ▶ 499,005.		
17		Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f)	190,843,480.	192,962,626.
18	Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	364,521,184.	367,956,557.	
19	Revenue less expenses. Subtract line 18 from line 12	18,750,826.	29,331,479.	
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	451,108,031.	492,408,066.
	21	Total liabilities (Part X, line 26)	199,802,875.	183,373,272.
	22	Net assets or fund balances. Subtract line 21 from line 20	251,305,156.	309,034,794.

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	Date			
	▶ Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name Emily A. Stancil	Preparer's signature <i>Emily A. Stancil</i>	Date 5/15/12	Check if self-employed <input type="checkbox"/>	PTIN
	Firm's name ▶ ERNST & YOUNG U.S. LLP			Firm's EIN ▶ 34-656596	
	Firm's address ▶ 75 BEATTIE PLACE, SUITE 800 GREENVILLE, SC 29601			Phone no. 864-242-5740	

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

For Paperwork Reduction Act Notice, see the separate instructions.

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III

1 Briefly describe the organization's mission:
IMPROVE THE HEALTH OF THE COMMUNITIES WE SERVE.

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 exempt purpose achievements for each of the organization's three largest program services by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts 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 \$ 333,106,649. including grants of \$) (Revenue \$ 382,697,174.)
ATTACHMENT 1

4b (Code:) (Expenses \$ including grants of \$) (Revenue \$)

4c (Code:) (Expenses \$ including grants of \$) (Revenue \$)

4d Other program services. (Describe in Schedule O.)
(Expenses \$ including grants of \$) (Revenue \$)

4e Total program service expenses ▶ 333,106,649.

Part IV Checklist of Required Schedules

Table with 3 columns: Question Number, Question Text, Yes, No. Rows include questions 1 through 20b regarding organizational requirements and reporting.

Part IV Checklist of Required Schedules (continued)

Table with 3 columns: Question number, Question text, and Yes/No response boxes. Rows include questions 21 through 38 regarding grants, compensation, tax-exempt bonds, and business transactions.

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

Table with columns for question number, description, and Yes/No checkboxes. Includes questions 1a-14b regarding Form 1096, Form W-2G, Form W-3, Form 990-T, Form 8886-T, Form 8899, Form 1098-C, Form 8282, Form 8899, Form 720, and Form 709.

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 to any question in this Part VI [X]

Section A. Governing Body and Management

Table with 3 columns: Question, Yes, No. Rows include: 1a Enter the number of voting members of the governing body at the end of the tax year; 1b Enter the number of voting members included in line 1a, above, who are independent; 2 Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?; 3 Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?; 4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?; 5 Did the organization become aware during the year of a significant diversion of the organization's assets?; 6 Does the organization have members or stockholders?; 7a Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?; 7b Are any decisions of the governing body subject to approval by members, stockholders, or other persons?; 8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following: a The governing body? b Each committee with authority to act on behalf of the governing body?; 9 Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O.

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 Does the organization have local chapters, branches, or affiliates?; 10b If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?; 11a Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?; 11b Describe in Schedule O the process, if any, used by the organization to review this Form 990.; 12a Does the organization have a written conflict of interest policy? If "No," go to line 13; 12b Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?; 12c Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done; 13 Does the organization have a written whistleblower policy?; 14 Does the organization have a written document retention and destruction policy?; 15 Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?; 15a The organization's CEO, Executive Director, or top management official; 15b Other officers or key employees of the organization; 16a Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?; 16b If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?

Section C. Disclosure

- 17 List the states with which a copy of this Form 990 is required to be filed CA, MD, NC,
18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you make these available. Check all that apply. [] Own website [] Another's website [X] Upon request
19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public.
20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization: JIM GREGORY 100 EAST CARROLL ST SALSIBURY, MD 21801 410-912-4979

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

Check if Schedule O contains a response to any question in this Part VII.

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 (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(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) JEFFREY F TURNER BOARD MEMBER	1.00	X					0.	0.	0.	
(2) FAROUK A. SULTANI, M.D. BOARD MEMBER	1.00	X					0.	0.	0.	
(3) MARGARET NALEPPA PRESIDENT/CEO	40.00	X		X			742,361.	0.	54,851.	
(4) MARTIN NEAT VICE-CHAIRMAN	1.00	X		X			0.	0.	0.	
(5) HERBERT J. GEARY, III BOARD MEMBER	1.00	X					0.	0.	0.	
(6) MICHAEL E. CROUCH, M.D. BOARD MEMBER	1.00	X					0.	0.	0.	
(7) MURRAY HOY BOARD CHAIRMAN	10.00	X		X			30,731.	0.	0.	
(8) CHRISTJON J. HUDDLESTON, M.D. BOARD MEMBER	1.00	X					0.	0.	0.	
(9) HUGH MCLAUGHLIN BOARD MEMBER	1.00	X					0.	0.	0.	
(10) RENE DESMARAIS, M.D. BOARD MEMBER	1.00	X					0.	0.	0.	
(11) SUSAN ROBINSON BOARD MEMBER (07/10 - 03/11)	1.00	X					0.	0.	0.	
(12) BRIAN SHOCKLEY BOARD MEMBER	1.00	X					0.	0.	0.	
(13) MARION KEENAN BOARD MEMBER	1.00	X					0.	0.	0.	
(14) SUSAN PEACOCK BOARD MEMBER (04/11 - 06/11)	1.00	X					0.	0.	0.	
(15) EDWARD W. URBAN SECRETARY	1.00	X		X			0.	0.	0.	
(16) WILLIAM R. MCCAIN TREASURER	1.00	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 (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(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			
(17) MONTY SAYLOR BOARD MEMBER	1.00	X						0.	0.	0.
(18) BRUCE I. RITCHIE CFO	40.00			X				413,043.	0.	67,377.
(19) LURA LUNSFORD VP OF OPERATIONS	40.00			X				361,272.	0.	51,972.
(20) THOMAS LAWRENCE, M.D. VP OF MEDICAL AFFAIRS	40.00					X		508,410.	0.	64,000.
(21) JAMES MARTIN, M.D. PHYSICIAN	40.00					X		573,638.	0.	19,633.
(22) PAUL ZORSKY, M.D. PHYSICIAN	40.00					X		508,047.	0.	31,094.
(23) JUSTINIAN NGAIZA, M.D. PHYSICIAN	40.00					X		607,198.	0.	29,134.
(24) PANPIT KLUG, M.D. PHYSICIAN	40.00					X		533,007.	0.	23,418.
(25) R. ALAN NEWBERRY FORMER PRESIDENT/CEO							X	1,567,831.	0.	0.
(26)										
(27)										
(28)										
1b Sub-total								5,845,538.	0.	341,479.
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								5,845,538.	0.	341,479.

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization **▶** 139

	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.

(A) Name and business address	(B) Description of services	(C) Compensation
ATTACHMENT 2		

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 **▶** 51

Part VIII Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a Federated campaigns	1a						
	b Membership dues	1b						
	c Fundraising events	1c						
	d Related organizations	1d	158,781.					
	e Government grants (contributions) . .	1e						
	f All other contributions, gifts, grants, and similar amounts not included above .	1f	14,315.					
	g Noncash contributions included in lines 1a-1f: \$ _____							
	h Total. Add lines 1a-1f ▶			173,096.				
Program Service Revenue				Business Code				
	2a NET PATIENT SERVICES		621500	381,449,967.	380,428,592.	1,021,375.		
	b PARTNERSHIP INCOME		900099	1,264,464.	1,264,464.			
	c _____							
	d _____							
	e _____							
	f All other program service revenue							
	g Total. Add lines 2a-2f ▶			382,714,431.				
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts) ▶			4,938,903.			4,938,903.	
	4 Income from investment of tax-exempt bond proceeds . . . ▶			0.				
	5 Royalties ▶			0.				
	6a Gross Rents		(i) Real	(ii) Personal				
		b Less: rental expenses						
		c Rental income or (loss)						
		d Net rental income or (loss) ▶				-8,338.		-8,338.
	7a Gross amount from sales of assets other than inventory		(i) Securities	(ii) Other				
		b Less: cost or other basis and sales expenses						
		c Gain or (loss)						
		d Net gain or (loss) ▶				8,516,255.		8,516,255.
	8a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c). See Part IV, line 18 a							
		b Less: direct expenses b						
		c Net income or (loss) from fundraising events ▶				0.		
	9a Gross income from gaming activities. See Part IV, line 19 a							
b Less: direct expenses b								
c Net income or (loss) from gaming activities ▶					0.			
10a Gross sales of inventory, less returns and allowances a								
	b Less: cost of goods sold b							
	c Net income or (loss) from sales of inventory ▶				0.			
Miscellaneous Revenue			Business Code					
11a CAFETERIA		900099	746,888.				746,888.	
b PARTNERSHIP REVENUE		900099	5,647.	-17,257.	22,904.			
c MEDICAL RECORDS		900003	1,154.				1,154.	
d All other revenue		561000	200,000.		200,000.			
e Total. Add lines 11a-11d ▶			953,689.					
12 Total revenue. See instructions ▶			397,288,036.	381,675,799.	1,244,279.		14,194,862.	

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) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U.S. See Part IV, line 21	0.			
2 Grants and other assistance to individuals in the U.S. See Part IV, line 22	0.			
3 Grants and other assistance to governments, organizations, and individuals outside the U.S. See Part IV, lines 15 and 16	0.			
4 Benefits paid to or for members	0.			
5 Compensation of current officers, directors, trustees, and key employees	1,708,329.	1,562,142.	142,464.	3,723.
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	1,361,720.	1,245,193.	113,559.	2,968.
7 Other salaries and wages	135,841,291.	124,216,893.	11,328,359.	296,039.
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	5,725,533.	5,235,579.	477,476.	12,478.
9 Other employee benefits	20,736,110.	18,968,738.	1,722,362.	45,010.
10 Payroll taxes	9,620,948.	8,864,543.	738,196.	18,209.
11 Fees for services (non-employees):				
a Management	0.			
b Legal	629,706.	1,296.	628,410.	
c Accounting	190,400.		190,400.	
d Lobbying	32,138.	32,138.		
e Professional fundraising services. See Part IV, line 17	0.			
f Investment management fees	927,540.		927,540.	
g Other	31,287,331.	21,615,724.	9,619,424.	52,183.
12 Advertising and promotion	0.			
13 Office expenses	102,609,020.	98,893,645.	3,651,164.	64,211.
14 Information technology	738,432.	729,960.	8,472.	
15 Royalties	0.			
16 Occupancy	5,095,376.	5,095,376.		
17 Travel	374,107.	273,585.	97,865.	2,657.
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0.			
19 Conferences, conventions, and meetings	85,614.	85,614.		
20 Interest	6,544,090.	6,544,090.		
21 Payments to affiliates	0.			
22 Depreciation, depletion, and amortization	21,733,777.	21,687,683.	46,094.	
23 Insurance	4,775,587.	496,535.	4,278,080.	972.
24 Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24f. If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O.)				
a <u>BAD DEBT</u>	17,410,750.	17,410,750.		
b <u>DUES</u>	528,758.	147,165.	381,038.	555.
c				
d				
e				
f All other expenses				
25 Total functional expenses. Add lines 1 through 24f	367,956,557.	333,106,649.	34,350,903.	499,005.
26 Joint Costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720). Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

		(A) Beginning of year		(B) End of year
Assets	1 Cash - non-interest-bearing	154,899.	1	150,629.
	2 Savings and temporary cash investments	25,139,457.	2	25,487,082.
	3 Pledges and grants receivable, net		3	
	4 Accounts receivable, net	35,817,855.	4	35,831,829.
	5 Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L		5	
	6 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)		6	
	7 Notes and loans receivable, net		7	
	8 Inventories for sale or use	7,086,954.	8	7,612,015.
	9 Prepaid expenses and deferred charges	4,358,438.	9	4,722,221.
	10 a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 439,903,907.		
	b Less: accumulated depreciation	10b 233,750,155.	212,665,479.	10c 206,153,752.
	11 Investments - publicly traded securities	105,748,847.	11	141,953,184.
	12 Investments - other securities. See Part IV, line 11		12	
	13 Investments - program-related. See Part IV, line 11		13	
	14 Intangible assets		14	
	15 Other assets. See Part IV, line 11	60,136,102.	15	70,497,354.
16 Total assets. Add lines 1 through 15 (must equal line 34)	451,108,031.	16	492,408,066.	
Liabilities	17 Accounts payable and accrued expenses	14,233,918.	17	13,928,109.
	18 Grants payable		18	
	19 Deferred revenue		19	
	20 Tax-exempt bond liabilities	137,319,548.	20	134,315,588.
	21 Escrow or custodial account liability. Complete Part IV of Schedule D		21	
	22 Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22	
	23 Secured mortgages and notes payable to unrelated third parties		23	
	24 Unsecured notes and loans payable to unrelated third parties	75,000.	24	60,000.
	25 Other liabilities. Complete Part X of Schedule D	48,174,409.	25	35,069,575.
	26 Total liabilities. Add lines 17 through 25	199,802,875.	26	183,373,272.
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	231,374,493.	27	286,634,592.
	28 Temporarily restricted net assets	11,879,875.	28	14,335,033.
	29 Permanently restricted net assets	8,050,788.	29	8,065,169.
	Organizations that do not follow SFAS 117, 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	251,305,156.	33	309,034,794.	
34 Total liabilities and net assets/fund balances	451,108,031.	34	492,408,066.	

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	397,288,036.
2	Total expenses (must equal Part IX, column (A), line 25)	2	367,956,557.
3	Revenue less expenses. Subtract line 2 from line 1	3	29,331,479.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	251,305,156.
5	Other changes in net assets or fund balances (explain in Schedule O)	5	28,398,159.
6	Net assets or fund balances at end of year. Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	309,034,794.

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII

		Yes	No
1	Accounting method used to prepare the Form 990: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> 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?		X
2b	Were the organization's financial statements audited by an independent accountant?	X	
2c	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.	X	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both: <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input checked="" type="checkbox"/> Both consolidated and separate basis		
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?		X
3b	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.		

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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. ▶ See separate instructions.

OMB No. 1545-0047

2010

Open to Public Inspection

Name of the organization PENINSULA REGIONAL MEDICAL CENTER	Employer identification number 52-0591628
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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 11, 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.)
- 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 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.)
- 10 An organization organized and operated exclusively to test for public safety. See **section 509(a)(4).**
- 11 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 that describes the type of supporting organization and complete lines 11e through 11h.
 - a Type I
 - b Type II
 - c Type III - Functionally integrated
 - d Type III - Other

e By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2).

f If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box

g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

- (i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?

	Yes	No
11g(i)		
- (ii) A family member of a person described in (i) above?

	Yes	No
11g(ii)		
- (iii) A 35% controlled entity of a person described in (i) or (ii) above?

	Yes	No
11g(iii)		

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

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-9 above or IRC section (see instructions))	(iv) Is the organization in col. (i) listed in your governing document?		(v) Did you notify the organization in col. (i) of your support?		(vi) Is the organization in col. (i) organized in the U.S.?		(vii) Amount of support
			Yes	No	Yes	No	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) 2006, (b) 2007, (c) 2008, (d) 2009, (e) 2010, (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. Add lines 1 through 3; 5 The portion of total contributions by each person; 6 Public support. Subtract line 5 from line 4.

Section B. Total Support

Table with 7 columns: (a) 2006, (b) 2007, (c) 2008, (d) 2009, (e) 2010, (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. Do not include gain or loss from the sale of capital assets; 11 Total support. Add lines 7 through 10; 12 Gross receipts from related activities, etc. (see instructions); 13 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

Table with 3 columns: Description, 2010, 2009. Rows include: 14 Public support percentage for 2010; 15 Public support percentage from 2009 Schedule A, Part II, line 14; 16a 33 1/3 % support test - 2010; b 33 1/3 % support test - 2009; 17a 10%-facts-and-circumstances test - 2010; b 10%-facts-and-circumstances test - 2009; 18 Private foundation.

Part III Support Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 9 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

Table with 7 columns: (a) 2006, (b) 2007, (c) 2008, (d) 2009, (e) 2010, (f) Total. Rows include: 1 Gifts, grants, contributions, and membership fees received; 2 Gross receipts from admissions, merchandise sold or services performed; 3 Gross receipts from activities that are not an unrelated trade or business; 4 Tax revenues levied for the organization's benefit; 5 The value of services or facilities furnished by a governmental unit; 6 Total; 7a Amounts included on lines 1, 2, and 3 received from disqualified persons; 7b Amounts included on lines 2 and 3 received from other than disqualified persons; 7c Add lines 7a and 7b; 8 Public support (Subtract line 7c from line 6).

Section B. Total Support

Table with 7 columns: (a) 2006, (b) 2007, (c) 2008, (d) 2009, (e) 2010, (f) Total. Rows include: 9 Amounts from line 6; 10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources; 10b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975; 10c Add lines 10a and 10b; 11 Net income from unrelated business activities not included in line 10b; 12 Other income. Do not include gain or loss from the sale of capital assets; 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

Table with 3 columns: Description, Line Number, Percentage. Row 15: Public support percentage for 2010 (line 8, column (f) divided by line 13, column (f)) - 15 - %; Row 16: Public support percentage from 2009 Schedule A, Part III, line 15 - 16 - %

Section D. Computation of Investment Income Percentage

Table with 3 columns: Description, Line Number, Percentage. Row 17: Investment income percentage for 2010 (line 10c, column (f) divided by line 13, column (f)) - 17 - %; Row 18: Investment income percentage from 2009 Schedule A, Part III, line 17 - 18 - %

- 19a 33 1/3 % support tests - 2010. 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 - 2009. 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 **Supplemental Information.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Schedule of Contributors

▶ Attach to Form 990, 990-EZ, or 990-PF.

2010

Name of the organization PENINSULA REGIONAL MEDICAL CENTER	Employer identification number 52-0591628
--	---

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, \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II.

Special Rules

- For a section 501(c)(3) organization 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), and received from any one contributor, during the year, a contribution 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 a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, aggregate contributions of more than \$1,000 for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals. Complete Parts I, II, and III.
- For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions for use *exclusively* for religious, charitable, etc., purposes, but these contributions did not aggregate to 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. Do not complete any of the parts unless the **General Rule** applies to this organization because it received nonexclusively religious, charitable, etc., contributions of \$5,000 or more during the year ▶ \$ _____

Caution. An organization that is not covered by the General Rule and/or the Special Rules does not 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 line 2 of its Form 990-PF, to certify that it does not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

Name of organization PENINSULA REGIONAL MEDICAL CENTER

Employer identification number

52-0591628

Part I Contributors (see instructions)

(a) No.	(b) Name, address, and ZIP + 4	(c) Aggregate contributions	(d) Type of contribution
1	PENINSULA REGIONAL MEDICAL CENTER FND 100 EAST CARROLL STREET SALISBURY, MD 21081	\$ 158,781.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
2	FRANCIS C BAKER IRREVOCABLE TRUST C/O M&T INVEST GROUP, PO BOX 1596 BALTIMORE, MD 21203	\$ 14,315.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
---	----- ----- -----	\$ -----	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
---	----- ----- -----	\$ -----	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
---	----- ----- -----	\$ -----	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
---	----- ----- -----	\$ -----	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)

SCHEDULE C
(Form 990 or 990-EZ)

Political Campaign and Lobbying Activities
For Organizations Exempt From Income Tax Under section 501(c) and section 527

OMB No. 1545-0047

2010

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ **Complete if the organization is described below.**
▶ **Attach to Form 990 or Form 990-EZ.** ▶ **See separate instructions.**

If the organization answered "Yes," to Form 990, Part IV, line 3, or Form 990-EZ, Part VI, 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," to 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," to Form 990, Part IV, line 5 (Proxy Tax) or Form 990-EZ, Part V, line 35a (Proxy Tax), then

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

Name of organization PENINSULA REGIONAL MEDICAL CENTER	Employer identification number 52-0591628
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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 on behalf of or in opposition to candidates for public office in Part IV.
- 2 Political expenditures ▶ \$ _____
- 3 Volunteer hours _____

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 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)	-----			

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.
- 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												
1 a	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" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">If the amount on line 1e, column (a) or (b) is:</th> <th style="text-align: left;">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 instructions for lines 2a through 2f on page 4.)

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) Total
2 a 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)).

Table with 3 main columns: Question, (a) Yes/No, and (b) Amount. Rows include questions about influencing legislation, media advertisements, mailings, publications, grants, and other activities, with a total amount of 32,138.

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

Table with 3 columns: Question, Yes, and No. Rows include questions about dues received, in-house lobbying expenditures, and carryover lobbying.

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

Table with 5 main rows and sub-rows (a, b, c) for questions about dues, lobbying expenditures, and carryover amounts.

Part IV Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1; Part I-B, line 4; Part I-C, line 5; and Part II-B, line 1i. Also, complete this part for any additional information.

SEE PAGE 4

Horizontal dashed lines for providing supplemental information.

Part IV Supplemental Information *(continued)*

OTHER ACTIVITIES

PART II-B, LINE 1I

PENINSULA REGIONAL MEDICAL CENTER PAYS DUES TO ORGANIZATIONS THAT LOBBY
FEDERAL AND STATE LEGISLATORS ON BEHALF OF HOSPITALS AND HEALTH SYSTEMS.
THE PORTION OF DUES PAID TO THE AMERICAN HOSPITAL ASSOCIATION AND THE
MARYLAND HOSPITAL ASSOCIATION ATTRIBUTABLE TO LOBBYING DURING FY 2011
TOTALLED \$32,138.

SCHEDULE D (Form 990)

Supplemental Financial Statements

OMB No. 1545-0047

2010

Open to Public Inspection

Department of the Treasury Internal Revenue Service

Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.

Attach to Form 990. See separate instructions.

Name of the organization

PENINSULA REGIONAL MEDICAL CENTER

Employer identification number

52-0591628

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows include Total number at end of year, Aggregate contributions, Aggregate grants, Aggregate value, and questions about donor advisement.

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

Form for Part II Conservation Easements. Includes checkboxes for types of easements, a table for 'Held at the End of the Tax Year' with rows 2a-2d, and various questions about monitoring and expenses.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

Form for Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Includes questions about reporting works of art and historical treasures, and amounts related to these items.

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

Schedule D (Form 990) 2010

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 XIV.

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" to 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 XI V 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? Yes No

b If "Yes," explain the arrangement in Part XI V.

Part V Endowment Funds. Complete if organization answered "Yes" to 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	28,295,999.	25,231,843.	29,317,177.		
b Contributions	105,500.	206,865.	110,900.		
c Net investment earnings, gains, and losses	6,047,698.	3,074,487.	-4,000,545.		
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses	257,805.	217,196.	195,689.		
g End of year balance	34,191,392.	28,295,999.	25,231,843.		

2 Provide the estimated percentage of the year end balance held as:

- a Board designated or quasi-endowment ▶ 50.8200 %
- b Permanent endowment ▶ .1500 %
- c Term endowment ▶ 49.0300 %

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

- (i) unrelated organizations
- (ii) related organizations

	Yes	No
3a(i)		X
3a(ii)		X
3b		

b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

4 Describe in Part XIV the intended uses of the organization's endowment funds.

Part VI Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		10,492,173.		10,492,173.
b Buildings		198,207,576.	52,205,214.	146,002,362.
c Leasehold improvements				
d Equipment		219,975,787.	176,533,779.	43,442,008.
e Other		11,228,371.	5,011,162.	6,217,209.
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				206,153,752.

Part VII Investments - Other Securities. 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) _____		
(I) _____		
Total. (Column (b) must equal Form 990, Part X, col. (B) line 12.)		

Part VIII Investments - Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total. (Column (b) must equal Form 990, Part X, col. (B) line 13.)		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1) INVESTMENT IN PARTNERSHIPS	778,518.
(2) UNAMORTIZED FINANCING COSTS	2,450,436.
(3) OTHER ASSETS	2,908,202.
(4) DEBT SERVICE RESERVE FUND	9,349,305.
(5) DONOR RESTRICTED FUND	23,606,442.
(6) SELF-INSURANCE FUND	14,984,150.
(7) BOARD DESIGNATED INVESTMENTS	16,420,301.
(8)	
(9)	
(10)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 15.)	70,497,354.

Part X Other Liabilities. See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Amount
(1) Federal income taxes	
(2) ADVANCES FROM 3RD PARTY PAYORS	8,461,106.
(3) ACCRUED SELF INSURANCE LIABILITIES	11,803,381.
(4) OTHER LIABILITIES	2,226,507.
(5) EMP. COMP. RELATED PAYROLL TAX	12,578,581.
(6)	
(7)	
(8)	
(9)	
(10)	
(11)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.)	35,069,575.

2. FIN 48 (ASC 740) Footnote. In Part XIV, 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).

Part XI Reconciliation of Change in Net Assets from Form 990 to Audited Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	397,288,036.
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	367,956,557.
3	Excess or (deficit) for the year. Subtract line 2 from line 1	3	29,331,479.
4	Net unrealized gains (losses) on investments	4	14,624,321.
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV.)	8	13,773,838.
9	Total adjustments (net). Add lines 4 through 8	9	28,398,159.
10	Excess or (deficit) for the year per audited financial statements. Combine lines 3 and 9	10	57,729,638.

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements	1	413,756,222.
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:		
a	Net unrealized gains on investments	2a	14,624,321.
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV.)	2d	2,925,143.
e	Add lines 2a through 2d	2e	17,549,464.
3	Subtract line 2e from line 1	3	396,206,758.
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	927,540.
b	Other (Describe in Part XIV.)	4b	153,738.
c	Add lines 4a and 4b	4c	1,081,278.
5	Total revenue. Add lines 3 and 4c . (This must equal Form 990, Part I, line 12.)	5	397,288,036.

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements	1	366,861,915.
2	Amounts included on line 1 but not on Form 990, Part IX, line 25:		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIV.)	2d	186,640.
e	Add lines 2a through 2d	2e	186,640.
3	Subtract line 2e from line 1	3	366,675,275.
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	927,540.
b	Other (Describe in Part XIV.)	4b	353,742.
c	Add lines 4a and 4b	4c	1,281,282.
5	Total expenses. Add lines 3 and 4c . (This must equal Form 990, Part I, line 18.)	5	367,956,557.

Part XIV Supplemental Information

Complete this part to 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, line 8; Part XII, lines 2d and 4b; and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

SEE PAGE 5

Part XIV Supplemental Information (continued)

INTENDED USE OF ENDOWMENTS FUNDS

PART V, LINE 4

THE ORGANIZATION'S ENDOWMENT FUND CAN BE USED FOR CAPITAL, PATIENT SERVICES OR EDUCATIONAL PURPOSES.

FIN 48 FOOTNOTE

PART X, LINE 2

THE ORGANIZATION DID NOT HAVE ANY UNCERTAIN TAX POSITIONS THAT WERE MATERIAL TO THE FINANCIAL STATEMENTS. ACCORDINGLY, THE ORGANIZATION DID NOT INCLUDE A FIN 48 FOOTNOTE IN ITS AUDITED FINANCIAL STATEMENTS.

RECONCILIATION

PART XI, LINE 8 - OTHER

PENSION ADJUSTMENT - FAS 158	\$10,215,573
INVESTMENT INCOME SWAP	2,697,577
CHANGE IN EQUITY INTEREST OF FOUNDATION	1,140,445
CAPITAL CAMPAIGN TRANSFERS FROM FOUNDATION	127
U/R NET ASSETS RELEASED FROM RESTRICTION	1,200,000
NET ASSETS RELEASED FROM RESTRICTION	(1,520,810)
PARTNERSHIP K-1 INCOME ON BOOKS NOT ON RETURN	40,926

TOTAL	13,773,838

PART XII, LINE 2D - OTHER

RENT EXPENSE	186,640
PARTNERSHIP K-1 BOOK TO TAX	40,926

Part XIV Supplemental Information (continued)

BASIS SWAP INCOME	2,697,577

	2,925,143
PART XII - LINE 4B - OTHER	
EXPENSES PREMIER K-1	687
CONTRIBUTIONS	153,051

	153,738
PART XIII - LINE 2D - OTHER	
RENT EXPENSE	186,640
PART XIII - LINE 4B - OTHER	
EXPENSES ON PREMIER K-1	687
EXPENSE ROUNDING	4
FOUNDATION CONTRIBUTIONS	153,051
MANAGEMENT FEES RECLASSIFIED FROM EXPENSES	200,000

	353,742

SCHEDULE H
(Form 990)

Hospitals

OMB No. 1545-0047

2010

Open to Public Inspection

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, question 20.**
▶ **Attach to Form 990.** ▶ **See separate instructions.**

Department of the Treasury
Internal Revenue Service

Name of the organization PENINSULA REGIONAL MEDICAL CENTER	Employer identification number 52-0591628
--	---

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	
b 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) to determine eligibility for providing <i>free</i> care to low income individuals? 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 to determine eligibility for providing <i>discounted</i> care to low income individuals? 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 did not use FPG to determine eligibility, describe in Part VI the income based criteria 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, to determine 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	
b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?		
c 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	X
6a Did the organization prepare a community benefit report during the tax year?	X	
b 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 Worksheets 1 and 2)			13,058,859.		13,058,859.	3.76
b Unreimbursed Medicaid (from Worksheet 3, column a)						
c Unreimbursed costs - other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			13,058,859.		13,058,859.	3.76
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)		50120	1,401,468.	313,572.	1,087,896.	.31
f Health professions education (from Worksheet 5)		1480	562,540.	57,520.	505,020.	.15
g Subsidized health services (from Worksheet 6)		26001	9,400,926.	3,242,013.	6,158,913.	1.77
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)		4421	137,256.		137,256.	.04
j Total Other Benefits		82022	11,502,190.	3,613,105.	7,889,085.	2.27
k Total. Add lines 7d and 7j		82022	24,561,049.	3,613,105.	20,947,944.	6.03

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

Schedule H (Form 990) 2010

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			862.		862.	0.00
3 Community support			1,920.		1,920.	0.00
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building			30,276.		30,276.	.01
7 Community health improvement advocacy			19,078.		19,078.	.01
8 Workforce development			2,834.		2,834.	0.00
9 Other						
10 Total			54,970.		54,970.	.02

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

- 1 Does the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15? **1**
- 2 Enter the amount of the organization's bad debt expense (at cost) **2** 12,929,056.
- 3 Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy **3**
- 4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts in community benefit.

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

Section B. Medicare

- 5 Enter total revenue received from Medicare (including DSH and IME) **5** 225,943,392.
- 6 Enter Medicare allowable costs of care relating to payments on line 5 **6** 208,264,578.
- 7 Subtract line 6 from line 5. This is the surplus (or shortfall) **7** 17,678,814.
- 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:
 Cost accounting system Cost to charge ratio Other

Section C. Collection Practices

- 9a Does 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

(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 (continued)

Section B. Facility Policies and Practices

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

Name of Hospital Facility: PENINSULA REGIONAL MEDICAL CENTER

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 1

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)			
1	During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment (Needs Assessment)? If "No," skip to line 8 If "Yes," indicate what the Needs Assessment describes (check all that apply):	1	X
a	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b	<input checked="" type="checkbox"/> Demographics of the community		
c	<input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input checked="" type="checkbox"/> How data was obtained		
e	<input checked="" type="checkbox"/> The health needs of the community		
f	<input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess all of the community's health needs		
j	<input type="checkbox"/> Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a Needs Assessment: 20 <u>08</u>		
3	In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	X
4	Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	X
5	Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply):	5	X
a	<input checked="" type="checkbox"/> Hospital facility's website		
b	<input checked="" type="checkbox"/> Available upon request from the hospital facility		
c	<input checked="" type="checkbox"/> Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply):		
a	<input checked="" type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community		
b	<input checked="" type="checkbox"/> Execution of the implementation strategy		
c	<input checked="" type="checkbox"/> Participation in the development of a community-wide community benefit plan		
d	<input checked="" type="checkbox"/> Participation in the execution of a community-wide community benefit plan		
e	<input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the Needs Assessment		
g	<input checked="" type="checkbox"/> Prioritization of health needs in its community		
h	<input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input checked="" type="checkbox"/> Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	X
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that:			
8	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	X
9	Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals? If "Yes," indicate the FPG family income limit for eligibility for free care: <u>200</u> %	9	X

Part V Facility Information (continued) PENINSULA REGIONAL MEDICAL CENTER

		Yes	No
10	Used FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate the FPG family income limit for eligibility for discounted care: <u>3</u> <u>0</u> <u>0</u> %	X	
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply):	X	
a	<input checked="" type="checkbox"/> Income level		
b	<input checked="" type="checkbox"/> Asset level		
c	<input checked="" type="checkbox"/> Medical indigency		
d	<input type="checkbox"/> Insurance status		
e	<input type="checkbox"/> Uninsured discount		
f	<input checked="" type="checkbox"/> Medicaid/Medicare		
g	<input checked="" type="checkbox"/> State regulation		
h	<input type="checkbox"/> Other (describe in Part VI)		
12	Explained the method for applying for financial assistance?	X	
13	Included measures to publicize the policy 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 policy was posted on the hospital facility's website		
b	<input checked="" type="checkbox"/> The policy was attached to billing invoices		
c	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e	<input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available on request		
g	<input checked="" type="checkbox"/> Other (describe in Part VI)		

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment?	X	
15	Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year:		
a	<input checked="" type="checkbox"/> Reporting to credit agency		
b	<input checked="" type="checkbox"/> Lawsuits		
c	<input checked="" type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other actions (describe in Part VI)		
16	Did the hospital facility engage in or authorize a third party to perform any of the following collection actions during the tax year? If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply):	X	
a	<input checked="" type="checkbox"/> Reporting to credit agency		
b	<input checked="" type="checkbox"/> Lawsuits		
c	<input checked="" type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other actions (describe in Part VI)		
17	Indicate which actions the hospital facility took before initiating any of the collection actions checked in line 16 (check all that apply):		
a	<input checked="" type="checkbox"/> Notified patients of the financial assistance policy on admission		
b	<input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge		
c	<input checked="" type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills		
d	<input checked="" type="checkbox"/> Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance		
e	<input type="checkbox"/> Other (describe in Part VI)		

Part V Facility Information (continued) PENINSULA REGIONAL MEDICAL CENTER

Policy Relating to Emergency Medical Care

		Yes	No
18	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires 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 the reasons why (check all that apply):			
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility did not have a policy relating to emergency medical care		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

Charges for Medical Care

19	Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply):		
a	<input type="checkbox"/> The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility		
b	<input type="checkbox"/> The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility		
c	<input checked="" type="checkbox"/> The hospital facility used the Medicare rate for those services		
d	<input checked="" type="checkbox"/> Other (describe in Part VI)		
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and 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?		X
If "Yes," explain in Part VI.			
21	Did the hospital facility charge any of its patients an amount equal to the gross charge for any service provided to that patient?	X	
If "Yes," explain in Part VI.			

Part V Facility Information (continued)

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size, measured by total revenue per facility, from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? _____

Name and address	Type of Facility (describe)
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI Supplemental Information

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- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospitals 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.

SUPPLEMENTAL INFORMATION

PART I, LINE 3C

N/A

PART I, LINE 6A

PENINSULA REGIONAL MEDICAL CENTER FILES ANNUALLY A COMMUNITY BENEFIT REPORT WITH THE STATE OF MARYLAND. THE REPORT IS FILED WITH THE HSCRC (HEALTH SERVICES COST REVIEW COMMISSION).

PART I, LINE 7

LINE 7 COLUMN (F) - THE AMOUNT OF BAD DEBT EXPENSE EXCLUDED FROM THE DENOMINATOR IN THE COLUMN (F) PERCENTAGES IS \$17,410,750.

LINE 7A COLUMN (C) & (D) - MARYLAND'S REGULATORY SYSTEM CREATES A UNIQUE PROCESS FOR HOSPITAL PAYMENT THAT DIFFERS FROM THE REST OF THE NATION. THE HEALTH SERVICES COST REVIEW COMMISSION, (HSCRC) DETERMINES PAYMENT THROUGH A RATE-SETTING PROCESS AND ALL PAYORS, INCLUDING GOVERNMENTAL PAYORS, PAY THE SAME AMOUNT FOR THE SAME SERVICES DELIVERED AT THE SAME HOSPITAL. MARYLAND'S UNIQUE ALL-PAYOR SYSTEM INCLUDES A METHOD FOR

Part VI Supplemental Information

Complete this part to provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.
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REFERENCING UNCOMPENSATED CARE IN EACH PAYORS' RATES, WHICH DOES NOT
 ENABLE MARYLAND HOSPITALS TO BREAKOUT ANY OFFSETTING REVENUE RELATED TO
 UNCOMPENSATED CARE.

LINE 7B COLUMN (C) & (F) - MARYLAND'S REGULATORY SYSTEM CREATES A UNIQUE
 PROCESS FOR HOSPITAL PAYMENT THAT DIFFERS FROM THE REST OF THE NATION.
 THE HEALTH SERVICES COST REVIEW COMMISSION, (HSCRC) DETERMINES PAYMENT
 THROUGH A RATE-SETTING PROCESS AND ALL PAYORS, INCLUDING GOVERNMENTAL
 PAYORS, PAY THE SAME AMOUNT FOR THE SAME SERVICES DELIVERED AT THE SAME
 HOSPITAL. MARYLAND'S UNIQUE ALL-PAYOR SYSTEM INCLUDES A METHOD FOR
 REFERENCING UNCOMPENSATED CARE IN EACH PAYORS' RATES, WHICH DOES NOT
 ENABLE MARYLAND HOSPITALS TO BREAKOUT ANY DIRECTED OFFSETTING REVENUE
 RELATED TO UNCOMPENSATED CARE. COMMUNITY BENEFIT EXPENSES ARE EQUAL TO
 MEDICAID REVENUES IN MARYLAND, AS SUCH, THE NET EFFECT IS ZERO. THE
 EXCEPTION TO THIS IS THE IMPACT ON THE HOSPITAL OF ITS SHARE OF THE
 MEDICAID ASSESSMENT. IN RECENT YEARS, THE STATE OF MARYLAND HAS CLOSED
 FISCAL GAPS IN THE STATE MEDICAID BUDGET BY ASSESSING HOSPITALS THROUGH
 THE RATE-SETTING SYSTEM.

Part VI Supplemental Information

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LINE 7F COLUMN (C) - MARYLAND'S REGULATORY SYSTEM CREATES A UNIQUE PROCESS FOR HOSPITAL PAYMENT THAT DIFFERS FROM THE REST OF THE NATION. THE HEALTH SERVICES COST REVIEW COMMISSION, (HSCRC) DETERMINES PAYMENT THROUGH A RATE-SETTING PROCESS AND ALL PAYORS, INCLUDING GOVERNMENTAL PAYORS, PAY THE SAME AMOUNT FOR THE SAME SERVICES DELIVERED AT THE SAME HOSPITAL. MARYLAND'S UNIQUE ALL-PAYOR SYSTEM INCLUDES A METHOD FOR REFERENCING UNCOMPENSATED CARE IN EACH PAYORS' RATES, WHICH DOES NOT ENABLE MARYLAND HOSPITALS TO BREAKOUT ANY OFFSETTING REVENUE RELATED TO UNCOMPENSATED CARE.

LINE 7F COLUMN (D) - MARYLAND'S REGULATORY SYSTEM CREATES A UNIQUE PROCESS FOR HOSPITAL PAYMENT THAT DIFFERS FROM THE REST OF THE NATION. THE HEALTH SERVICES COST REVIEW COMMISSION, (HSCRC) DETERMINES PAYMENT THROUGH A RATE- SETTING PROCESS AND ALL PAYORS, INCLUDING GOVERNMENTAL PAYORS, PAY THE SAME AMOUNT FOR THE SAME SERVICES DELIVERED AT THE SAME HOSPITAL. MARYLAND'S UNIQUE ALL-PAYOR SYSTEM INCLUDES A METHOD FOR REFERENCING UNCOMPENSATED CARE IN EACH PAYORS' RATES, WHICH DOES NOT ENABLE MARYLAND

Part VI Supplemental Information

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HOSPITALS TO BREAKOUT ANY OFFSETTING REVENUE RELATED TO UNCOMPENSATED
 CARE. SYSTEM INCLUDES A METHOD FOR REFERENCING UNCOMPENSATED CARE IN EACH
 PAYORS' RATES, WHICH DOES NOT ENABLE MARYLAND HOSPITALS TO BREAKOUT ANY
 OFFSETTING REVENUE RELATED TO UNCOMPENSATED CARE.

THE COST METHODOLOGY FOR CHARITY CARE AND CERTAIN OTHER COMMUNITY
 BENEFITS IS THE COST-TO-CHARGE RATIO USED FOR THE CHARITY CARE PROGRAMS
 AND DIRECT COST METHOD FOR THE OTHER BENEFITS/PROGRAMS.

PART III, LINE 4

THE HOSPITAL PROVIDES SERVICES TO PATIENTS IN THE EASTERN SHORE AREA OF
 MARYLAND, DELAWARE AND VIRGINIA, THE MAJORITY OF WHOM ARE COVERED BY
 THIRD-PARTY HEALTH INSURANCE. THE HOSPITAL BILLS THE INSURER DIRECTLY FOR
 SERVICES PROVIDED.

INSURANCE COVERAGE AND FINANCIAL INFORMATION IS OBTAINED FROM PATIENTS
 UPON ADMISSION WHEN AVAILABLE. THE HOSPITAL'S POLICY IS TO PERFORM
 IN-HOUSE COLLECTION PROCEDURES FOR APPROXIMATELY 85 DAYS. A DETERMINATION

Part VI Supplemental Information

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IS MADE AT THAT TIME AS TO WHAT ADDITIONAL COLLECTION EFFORTS TO PURSUE.

A PROVISION FOR UNCOLLECTIBLE ACCOUNTS IS RECORDED FOR AMOUNTS NOT YET

WRITTEN OFF, WHICH ARE EXPECTED TO BECOME UNCOLLECTIBLE.

DISCOUNTS RANGING FROM 2% TO 6% OF CHARGES ARE GIVEN TO MEDICARE,

MEDICAID AND CERTAIN APPROVED COMMERCIAL HEALTH INSURANCE AND HEALTH

MAINTENANCE ORGANIZATION PROGRAMS FOR REGULATED SERVICES. DISCOUNTS IN

VARYING PERCENTAGES ARE GIVEN FOR CERTAIN UNREGULATED SERVICES. THESE

MAJOR PAYORS ROUTINELY REVIEW PATIENT BILLINGS AND DENY PAYMENT FOR

CERTAIN CHARGES AS MEDICALLY UNNECESSARY OR AS PERFORMED WITHOUT

APPROPRIATE PREAUTHORIZATION. DISCOUNTS AND DENIALS ARE RECORDED AS

REDUCTIONS OF NET PATIENT SERVICE REVENUE. ACCOUNTS RECEIVABLE FROM THESE

THIRD-PARTY PAYORS HAVE BEEN ADJUSTED TO REFLECT THE DIFFERENCE BETWEEN

CHARGES AND THE ESTIMATED REIMBURSABLE AMOUNTS.

APPROXIMATELY 33% AND 36%, RESPECTIVELY, OF ACCOUNTS RECEIVABLE WERE DUE

FROM THE MEDICARE PROGRAM AS OF JUNE 30, 2011 AND 2010, RESPECTIVELY.

LAWS AND REGULATIONS GOVERNING MEDICARE AND MEDICAID PROGRAMS ARE COMPLEX

Part VI Supplemental Information

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AND SUBJECT TO INTERPRETATION. THE HOSPITAL BELIEVES THAT IT IS IN
 COMPLIANCE WITH ALL APPLICABLE LAWS AND REGULATIONS AND IS NOT AWARE OF
 ANY PENDING OR THREATENED INVESTIGATIONS INVOLVING ALLEGATIONS OF
 POTENTIAL WRONGDOING THAT WOULD HAVE A MATERIAL EFFECT ON THE FINANCIAL
 STATEMENTS. COMPLIANCE WITH SUCH LAWS AND REGULATIONS CAN BE SUBJECT TO
 FUTURE GOVERNMENT REVIEW AND INTERPRETATION AS WELL AS SIGNIFICANT
 REGULATORY ACTION INCLUDING FINES, PENALTIES AND EXCLUSION FROM MEDICARE
 AND MEDICAID PROGRAMS.

BAD DEBT METHODOLOGY - PENINSULA REGIONAL MEDICAL CENTER IS A TAX-EXEMPT
 NOT-FOR-PROFIT HOSPITAL THAT PROVIDES QUALITY MEDICAL SERVICES TO
 PATIENTS REGARDLESS OF THEIR ABILITY TO PAY. BY PROVIDING MEDICAL
 SERVICES TO ALL COMMUNITY MEMBERS REGARDLESS OF THEIR ABILITY TO PAY, THE
 HOSPITAL'S BAD DEBT EXPENSE QUALIFIES AS A COMMUNITY BENEFIT. THE BAD
 DEBT EXPENSE CALCULATED ON LINE 2 WAS CALCULATED USING THE PATIENT CARE
 COST TO CHARGES METHODOLOGY

PART III, LINE 8

Part VI Supplemental Information

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MEDICARE ALLOWABLE COSTS WERE CALCULATED USING A COST TO CHARGE RATIO.

PENINSULA REGIONAL MEDICAL CENTER PROVIDES QUALITY MEDICAL SERVICES TO

ALL PATIENTS REGARDLESS OF WHAT INSURANCE THEY HAVE. APPROXIMATELY,

49.44% OF THE MEDICAL CENTER'S REVENUE IS ATTRIBUTABLE TO MEDICARE

PATIENTS.

PART III, LINE 9B

COLLECTION POLICIES ARE THE SAME FOR ALL PATIENTS. IF A PATIENT NOTIFIES

THE MEDICAL CENTER ABOUT THEIR INABILITY TO PAY, THE MEDICAL CENTER WILL

SEND THEM THE CHARITY CARE AND FINANCIAL ASSISTANCE FORMS TO FILL OUT.

ONCE THE FORMS ARE COMPLETE AND RETURNED TO THE MEDICAL CENTER AND THE

PATIENT QUALIFIES FOR FINANCIAL ASSISTANCE, THEN THE PATIENT'S ACCOUNT

WILL BE REMOVED FROM COLLECTIONS AND THE ACCOUNT WILL BE WRITTEN OFF.

PART V, LINE 13G

PENINSULA REGIONAL MEDICAL CENTER PUBLISHES ANNUALLY AN ADVERTISEMENT IN

THE LOCAL NEWSPAPER ANNOUNCING THE AVAILABILITY OF FREE OR REDUCED COST

CARE.

Part VI Supplemental Information

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- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.
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PART V, LINE 19D

PENINSULA REGIONAL MEDICAL CENTER IS A MARYLAND HOSPITAL. AS SUCH
 PATIENTS AND ALL INSURANCE COMPANIES, INCLUDING MEDICARE & MEDICAID, PAY
 THE SAME RATE. THIS RATE IS DETERMINED BY THE STATE AGENCY, THE MARYLAND
 HEALTH SERVICES COST REVIEW COMMISSION.

PART V, LINE 21

PENINSULA REGIONAL MEDICAL CENTER IS A MARYLAND HOSPITAL. AS SUCH,
 PATIENTS AND ALL INSURANCE COMPANIES INCLUDING MEDICARE & MEDICAID PAY
 THE GROSS CHARGE.

PART VI, LINE 2

PENINSULA REGIONAL MEDICAL CENTER IN COOPERATION WITH THE WICOMICO,
 WORCESTER AND SOMERSET COUNTIES, HEALTH DEPARTMENTS, THE ATLANTIC GENERAL
 HOSPITAL AND THE EDWARD W. MCCREADY MEMORIAL HOSPITAL, HAS BEEN
 CONDUCTING COMMUNITY HEALTH SURVEYS OF THE TRI-COUNTY AREA SINCE 1995.
 THESE SURVEYS, ADMINISTERED BY PROFESSIONAL RESEARCH CONSULTANTS (PRC) OF

Part VI Supplemental Information

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OMAHA, NEBRASKA WERE ADMINISTERED IN 1995, 2000, 2004 AND 2009. IN

ADDITION TO THESE ADULT SURVEYS, A SEPARATE ADOLESCENT SURVEY WAS

CONDUCTED IN 2000, 2005, AND 2010.

RESULTS OF THESE SURVEYS ARE USED BY THE PARTICIPANTS TO ASSESS

COMMUNITY HEALTH NEEDS AND PLAN FUTURE SERVICES. OF PARTICULAR NOTE WAS

THE DEVELOPMENT OF THE TRI-COUNTY DIABETES ALLIANCE, WHICH IS A

COOPERATIVE VENTURE BETWEEN ALL THE PARTNERS AND COMMUNITY AGENCIES TO

REDUCE THE INCIDENCES OF DIABETES IN THE TRI-COUNTY AREA. OTHER OUTCOMES

RESULTING FROM THE SURVEY FINDINGS INCLUDE SMOKING CESSATION PROGRAMS,

OTHER EARLY DETECTION AND SCREENING PROGRAMS FOR HEART AND CANCER, AS

WELL AS HEALTH PROMOTION AND EDUCATION WITH A FOCUS ON PREVENTION.

THE PRC COMMUNITY HEALTH ASSESSMENT IS A SYSTEMATIC,

DATA-DRIVEN APPROACH TO DETERMINING THE HEALTH STATUS, BEHAVIORS AND

NEEDS OF OUR COMMUNITY RESIDENTS. SURVEY RESULTS ARE SHARED WITH THE

COMMUNITY AND ARE POSTED TO THE PARTICIPANTS WEBSITES. THIS COMMUNITY

HEALTH ASSESSMENT SERVES AS A TOOL TOWARDS REACHING THE FOLLOWING THREE

GOALS:

1. TO IMPROVE RESIDENTS' HEALTH STATUS, INCREASE THEIR LIFE SPANS,

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AND ELEVATE THEIR OVERALL QUALITY OF LIFE.

2. REDUCE THE HEALTH DISPARITIES AMONG RESIDENTS BY GATHERING

DEMOGRAPHIC INFORMATION ALONG WITH HEALTH STATUS AND BEHAVIOR DATA.

3. TO INCREASE ACCESSIBILITY TO PREVENTIVE SERVICES FOR ALL

COMMUNITY RESIDENTS.

PART VI, LINE 3

PENINSULA REGIONAL MEDICAL CENTER MAKES AVAILABLE TO ALL PATIENTS THE

HIGHEST QUALITY OF MEDICAL CARE POSSIBLE WITHIN THE RESOURCES AVAILABLE.

IF A PATIENT IS UNABLE TO PAY DUE TO FINANCIAL RESOURCES, ALL EFFORTS

WILL BE MADE TO HELP THE PATIENT OBTAIN ASSISTANCE THROUGH APPROPRIATE

AGENCIES, OR, IF HELP IS NOT AVAILABLE, TO PROVIDE CARE AT REDUCED OR

ZERO COST. ONE OF PENINSULA REGIONAL'S OVERALL GUIDING PRINCIPLES IS

THAT CONCERN OVER A HOSPITAL BILL SHOULD NEVER PREVENT ANY INDIVIDUAL

FROM RECEIVING EMERGENCY HEALTH SERVICES THE MEDICAL CENTER WILL

COMMUNICATE THIS MESSAGE CLEARLY TO PROSPECTIVE PATIENTS AND TO LOCAL

COMMUNITY SERVICE AGENCIES AND MAKE IT CLEAR THAT EMERGENCY SERVICES WILL

BE PROVIDED WITHOUT REGARD TO ABILITY TO PAY. THE MEDICAL CENTER WILL

Part VI Supplemental Information

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ENSURE THAT AN EMERGENCY ADMISSION OR TREATMENT IS NOT DELAYED OR DENIED

PENDING DETERMINATION OF COVERAGE OR REQUIREMENT FOR PREPAYMENT OR

DEPOSIT. THE MEDICAL CENTER WILL POST ADEQUATE NOTICE OF THE AVAILABILITY

OF MEDICAL SERVICES, AND THE GENERAL OBLIGATION OF THE HOSPITAL TO

PROVIDE CHARITY CARE. PENINSULA REGIONAL'S "FINANCIAL ASSISTANCE POLICY"

INCLUDES THE REQUIRED LANGUAGE OF DETERMINATION OF PROBABLE ELIGIBILITY

WITHIN TWO BUSINESS DAYS. ON PAGE 2, THE "FINANCIAL ASSISTANCE POLICY"

STATES THAT UPON RECEIPT OF THE FINANCIAL ASSISTANCE REQUEST, THE

REPRESENTATIVE WILL REVIEW INCOME AND ALL DOCUMENTATION. THE PATIENT

MUST BE NOTIFIED WITHIN TWO BUSINESS DAYS OF THEIR PROBABLE ELIGIBILITY.

IN ACCORDANCE WITH SECTION 1, 2 AND 3, PENINSULA REGIONAL PROVIDES PUBLIC

NOTICE AND INFORMATION REGARDING ITS CHARITY CARE POLICY IN DELMARVA'S

LARGEST PAPER "THE DAILY TIMES", POSTED SIGNS IN THE ADMISSION, BUSINESS

OFFICE EMERGENCY ROOM AND OTHER MAJOR SERVICE AREAS OF THE MEDICAL

CENTER; ADDITIONALLY INDIVIDUAL NOTICE IS PROVIDED TO EACH PERSON WHO

SEEKS SERVICES IN THE MEDICAL CENTER AT THE TIME OF PRE-ADMISSION OR

ADMISSION.

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PART VI, LINE 4

PENINSULA REGIONAL IS LOCATED IN SALISBURY, MARYLAND . THE HOSPITAL'S SERVICE AREA IS PREDOMINATELY RURAL AND COVERS 6 COUNTIES LOCATED IN THREE DIFFERENT STATES: MARYLAND, DELAWARE AND VIRGINIA. SOME OF THE UNIQUE HEALTHCARE CHARACTERISTICS OF THESE COUNTIES INCLUDE A HIGH PREVALENCE OF DIABETES WHICH IS APPROXIMATELY TWICE THAT OF THE STATE OF MARYLAND. THERE IS A HIGHER INCIDENCE OF SKIN CANCER AND THE INCIDENCE RATE FOR HEART DISEASE IS STATISTICALLY SIGNIFICANTLY HIGHER THAN MARYLAND. IN ADDITION, THE MEDIAN INCOME IS LOWER THAN THAT OF MARYLAND AND EDUCATIONAL ATTAINMENT LAGS BEHIND THE STATES AVERAGE. THE MEDICAL CENTER'S PRIMARY SERVICE AREA IS COMPRISED OF THE MAJORITY OF ZIP CODES IN WICOMICO, WORCESTER, AND SOMERSET COUNTIES. AS OF JUNE 30, 2011 THESE COUNTIES CONTRIBUTED APPROXIMATELY 77 PERCENT OF PENINSULA REGIONAL'S TOTAL DISCHARGES. THE MEDICAL CENTER ALSO SERVICES DORCHESTER COUNTY, MARYLAND, THE SOUTHERN PORTION OF SUSSEX COUNTY, DELAWARE AND THE NORTHERN PORTION OF ACCOMACK COUNTY, VIRGINIA. THESE COUNTIES COMPRISED AN ADDITIONAL 20 PERCENT OF THE MEDICAL CENTER'S TOTAL DISCHARGES DURING THE SAME TIME PERIOD.

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PATIENTS DISCHARGED FROM THE FOLLOWING GEOGRAPHICAL AREAS

AREA	2011 DISCHARGES	%
WICOMICO	12,204	52.3%
WORCESTER	3,509	15.0%
SOMERSET	2,331	10.0%
DORCHESTER,		
TALBOT, CAROLINE	662	2.8%
DELAWARE	2,699	11.6%
VIRGINIA	1,380	5.9%
ALL OTHERS	553	2.4%
	-----	-----
TOTAL	23,338	100.0%

SOURCE: PENINSULA REGIONAL MEDICAL CENTER, FINANCIAL AND STATISTICAL
REPORT, JUNE 30, 2011.

BETWEEN 2009 AND 2014, THE MEDICAL CENTER'S PRIMARY SERVICE AREA

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(WICOMICO, WORCESTER AND SOMERSET COUNTIES, MARYLAND) IS EXPECTED TO GROW

5.3 PERCENT OR SLIGHTLY MORE THAN 1 PERCENT PER YEAR. MUCH OF THIS

GROWTH WILL BE EXPERIENCED IN WICOMICO COUNTY AT A RATE OF 6.8 PERCENT

FOLLOWED BY WORCESTER COUNTY AT 3.4 PERCENT AND SOMERSET COUNTY AT 3.3

PERCENT. IN THE MEDICAL CENTER'S SECONDARY SERVICE AREA (DORCHESTER

COUNTY, MARYLAND, SUSSEX COUNTY, DELAWARE, AND ACCOMACK COUNTY, VIRGINIA)

THE POPULATION IS EXPECTED TO GROW 8 PERCENT OR 1.6 PERCENT PER YEAR OVER

THE SAME TIME PERIOD. MOST OF THIS GROWTH (10.2 PERCENT) IS EXPECTED TO

OCCUR IN SUSSEX COUNTY, DELAWARE.

PART VI, LINE 5

PENINSULA REGIONAL MEDICAL CENTER IS COMMITTED TO THE HEALTH OF THE RURAL

COMMUNITIES IT SERVES. IN FY 2011, THE HOSPITAL'S CHARITY CARE INCREASED

13% (\$13,865,063 TO \$15,662,292) FROM THE PREVIOUS YEAR. IN ADDITION,

COMBINED CHARITY AND BAD DEBT FOR FY2011 WAS \$33,073,042.

THE HEALTH OF THE COMMUNITY IS THE HOSPITAL'S MISSION PROVIDING QUALITY

HEALTHCARE AND EASE OF ACCESS FOR A RURAL POPULATION. TO THAT END ,THE

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HOSPITAL HAS ESTABLISHED 9 PRIMARY CARE PHYSICIAN SATELLITE OFFICES

LOCATED STRATEGICALLY THROUGHOUT THE SERVICE AREA. THESE SATELLITE

LOCATIONS ADDRESS THE SPECIFIC DISEASES THAT ARE INDIGENT TO THESE RURAL

AREAS. BASED ON THE INFORMATION GATHERED THROUGH THE MOST RECENT

COMMUNITY HEALTH ASSESSMENT AND THE GUIDELINES SET FORTH IN HEALTHY

PEOPLE 2010, THE FOLLOWING "HEALTH PRIORITIES" REPRESENT A SIGNIFICANT

OPPORTUNITY FOR HEALTH IMPROVEMENT WHICH ARE BEING ADDRESSED BY THE

HOSPITAL, PHYSICIAN SATELLITE OFFICES AND THE COUNTY HEALTH DEPARTMENTS:

- DIABETES (AS A RESULT OF THE COMMUNITY HEALTH ASSESSMENT SURVEY, A

TRI-COUNTY DIABETES ALLIANCE WAS ESTABLISHED TO HELP EDUCATE, CREATE

AWARENESS, AND IMPROVE THE HEALTH OF PEOPLE WITH DIABETES AND THOSE AT

RISK FOR DEVELOPING DIABETES) WWW.TRIDIABETES.ORG

- HEART DISEASE & STROKE

- NUTRITION

- ACCESS TO HEALTH CARE SERVICES

IN ADDITION TO THESE AREAS, THERE ARE MULTIPLE OTHER PRIORITIES AND

CONTRIBUTING FACTORS THAT EACH PARTNER ASSESSED IN CONJUNCTION WITH THIS

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SURVEY.

IN IDENTIFYING PRIORITIES FOR COMMUNITY ACTION AND DESIGNING STRATEGIES

FOR IMPLEMENTATION, A NUMBER OF CRITERIA WERE APPLIED TO THE

CONSIDERATION PROCESS, INCLUDING:

IMPACT: THE DEGREE TO WHICH THE ISSUE AFFECTS OR EXACERBATES

OTHER QUALITY OF LIFE AND HEALTH-RELATED ISSUES.

MAGNITUDE: THE NUMBER OF PERSONS AFFECTED, ALSO TAKING INTO

ACCOUNT VARIANCE FROM BENCHMARK DATA AND YEAR

2010 TARGETS.

SERIOUSNESS: THE DEGREE TO WHICH THE PROBLEM LEADS TO DEATH,

DISABILITY OR IMPAIRS ONE'S QUALITY OF LIFE.

FEASIBILITY: THE ABILITY OF ORGANIZATIONS TO REASONABLY IMPACT THE

ISSUE, GIVEN AVAILABLE RESOURCES.

CONSEQUENCES OF INACTION:

THE RISK OF EXACERBATING THE PROBLEM BY NOT

ADDRESSING AT THE EARLIEST OPPORTUNITY.

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EACH PARTNER WAS RESPONSIBLE FOR ENGAGING IN ACTIVITIES SPECIFIC TO THE
GEOGRAPHY WITHIN WHICH THEY OPERATE. EACH PARTNER USED THE RESULTS OF THE
SURVEY TO PLAN SCREENINGS AND/OR INTERVENTIONS TAILORED TO THE NEEDS OF
THEIR POPULATION. PARTNERS SHARED PLANS AND COLLABORATED WHERE POSSIBLE.

IN ADDITION TO THE PROGRAMS ALREADY PRESENTED, A NUMBER OF OTHER
INITIATIVES FROM THE COMMUNITY HEALTH SURVEY HAVE BEEN STARTED
INCLUDING:

- UNDER THE PRIORITY AREA OF ACCESS TO CARE, ACCESS TO DENTAL
SERVICES - PARTICULARLY FOR CHILDREN WAS IDENTIFIED. AS A RESULT, GRANTS
AND GIFTS WERE RECEIVED TO EXPAND DENTAL PROGRAMS AT THE LOCAL HEALTH
DEPARTMENT.

- FOR HEART DISEASE, A STATE GRANT SUPPLIED THE MONEY TO DO WORK SITE
WELLNESS PROGRAMS INCLUDING SCREENINGS.

- FOR CANCER, MONEY FROM THE CIGARETTE RESTITUTION FUND WAS USED TO
PROVIDE COLORECTAL SCREENINGS INCLUDING PREVENTION, EDUCATION, DIAGNOSIS
AND TREATMENT. ADDITIONALLY, FUNDS WERE OBTAINED FROM A GRANT TO PROVIDE

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MAMMOGRAMS FOR LOW INCOME WOMEN.

- IN TERMS OF OBESITY, A THREE YEAR FEDERAL GRANT PROVIDED FUNDS TARGETED AT AFRICAN-AMERICAN FAMILIES TO PARTICIPATE IN A PROGRAM TO MAKE LIFESTYLE CHANGES, QUIT SMOKING, CONTROL THEIR BLOOD PRESSURE, EXERCISE (THROUGH A WALKING PROGRAM) AND MEETINGS WITH A NUTRITIONIST TO MODIFY THEIR EATING BEHAVIOR.

- FOR SUBSTANCE ABUSE, A NEW SUBOXONE (A HEROIN ALTERNATIVE) CLINIC WAS ESTABLISHED WITH GREAT SUCCESS. THIS IS THE ONLY SUCH CLINIC ON THE EASTERN SHORE

- AND FINALLY, FOR MENTAL HEALTH CARE, A NEW CLINIC WHICH IS CO-LOCATED IN A PRIMARY CARE SITE EXPANDS CARE FOR MENTAL HEALTH PATIENTS WITHOUT THE STIGMA OF BEING SEEN IN A MENTAL HEALTH CLINIC.

COMMUNITY FLU SHOTS

THE MISSION OF THE MEDICAL CENTER IS TO "IMPROVE THE HEALTH OF THE COMMUNITIES WE SERVE." IN FISCAL YEAR 2011, THE MEDICAL CENTER PROVIDED 5,015 FLU SHOTS (BELOW COST, WE DID ASK FOR A DONATION) THROUGH A THREE DAY DRIVE-THRU FLU CAMPAIGN. THE AMOUNT OF COMMUNITY BENEFIT PROVIDED

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WAS \$9,205.

PENINSULA PARTNERS

PENINSULA PARTNERS IS DESIGNED FOR INDIVIDUALS 55 AND OLDER AND IS A SPECIAL PROGRAM PROVIDED AS A SERVICE TO OUR COMMUNITY ABSOLUTELY FREE.

PENINSULA PARTNERS MEMBERS WILL LEARN TIPS ON HEALTHY LIVING, ATTEND SEMINARS AND PARTICIPATE IN HEALTH SCREENINGS. THIS PROGRAM PROVIDES:

- MONTHLY LIFESTYLE NEWSLETTER - FEATURING HEALTHY TIPS, IN DEPTH HEALTH ARTICLES, ETC.

- SAFE DRIVING CLASSES

- HEALTH SCREENINGS

- SOCIAL EVENTS

- INPATIENT VISITS

- SAFETY CLASSES

- SEMINARS ON VARIOUS HEALTH TOPICS

IN FY2011, PENINSULA PARTNERS HAD OVER 9,500 MEMBERS AND OVER 600

INPATIENT VISITS WERE MADE.

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WAGNER WELLNESS VAN

PENINSULA REGIONAL'S WAGNER WELLNESS VAN DELIVERS HEALTH CARE ASSESSMENTS

AND EDUCATION TO RURAL LOCATIONS WITHIN THE HOSPITALS SERVICE AREA. THE

VAN HAS MULTIPLE USES AND MANY VENUES. IT IS ON SITE AT LOCAL COMMUNITY

OUTDOOR FESTIVALS WITH STAFF PROVIDING THE FOLLOWING SCREENINGS: BLOOD

PRESSURE, PULSE OXIMETRY, BODY FAT ANALYSIS, GRIP STRENGTH, AND VISION.

DURING FY 11 WE SCREENED 1,062 MEMBERS OF THE COMMUNITY WITH VARIED "AT

RISK" LEVELS. (THIS ONLY REPRESENTS OUR VAN PRESENCE AT MAJOR COMMUNITY

INITIATIVES, AND DOES NOT REPRESENT THE MULTITUDE OF COMMUNITY

APPEARANCES MADE BY OTHER MEDICAL CENTER DEPARTMENTS AT HEALTH FAIRS ON

THE DELMARVA PENINSULA.)

IN OCTOBER 2008, IN AN EFFORT TO EXPAND OUR MOBILE SERVICE TO THE AT-RISK

AND UNDERSERVED POPULATIONS, PENINSULA REGIONAL MEDICAL CENTER FORMED A

PARTNERSHIP WITH THE WICOMICO HEALTH DEPARTMENT TO OFFER DIABETES, STROKE

AND HYPERTENSION EDUCATION AND SCREENINGS TO THESE POPULATIONS (SITES

RECOMMENDED BY THE HEALTH DEPARTMENT). THIS PROGRAM CONTINUES TODAY.

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OTHER INITIATIVES

THE HOSPITAL AND ITS EMPLOYEES ALSO PARTICIPATE ON AN ANNUAL BASIS IN
 MANY CHARITABLE CAUSES THAT PROMOTE A HEALTHY LIFESTYLE AND OVERALL WELL
 -BEING OF THOSE IN THE COMMUNITY. IN FY 11, HOSPITAL EMPLOYEES
 CONTRIBUTED OVER \$155,000 TO THE UNITED WAY CAMPAIGN, IN ADDITION TO
 HAVING EMPLOYEES WALK AND PARTICIPATE IN THE MARCH OF DIMES, HOSPITAL
 EMPLOYEES AND PHYSICIANS ALSO PARTICIPATED IN THE 2011 WICOMICO COUNTY
 RELAY FOR LIFE. THIS CANCER SURVIVOR'S RECEPTION HOSTED OVER 600 CANCER
 SURVIVORS AND BRINGS HOPE TO THOSE SUFFERING. EVERY YEAR HOSPITAL
 EMPLOYEES ARE ENGAGED IN COMMUNITY OUTREACH WHICH ARE VOLUNTEER TYPE
 SERVICES PROVIDED "OUTSIDE THE REALM OF NORMAL HOSPITAL PATIENT CARE."

THE HOSPITAL ENCOURAGES VOLUNTEERISM IN THE FOLLOWING AREAS:

- HEALTH SCREENINGS
- HEALTH EDUCATION
- SUPPORT GROUPS
- PROGRAM SUPPORT
- RESEARCH
- FINANCIAL CONTRIBUTIONS

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IN FY2011, 73,422 HOURS WERE GIVEN BY EMPLOYEES. AS AN EXAMPLE, THE HOSPITAL IS A COMMUNITY PARTNER WITH "THE WELLNESS COMMUNITY OF DELMARVA." THIS IS A NON-PROFIT ORGANIZATION DEDICATED TO PROVIDING FREE EMOTIONAL SUPPORT, EDUCATION AND HOPE FOR PEOPLE AFFECTED BY CANCER AND THEIR LOVED ONES. THE HOSPITAL'S EMPLOYEES VOLUNTARILY GIVE OF THEIR TIME AND TALENTS TO SUPPORT THIS TERRIFIC PROGRAM .

THE HOSPITAL ALSO PARTICIPATES IN THE "HEALTHIEST MARYLAND" INITIATIVE A RECENT PROGRAM LAUNCHED BY LT. GOVERNOR BROWN, THE ADMINISTRATION AND SECRETARY COLMERS. THIS IS A STATEWIDE MOVEMENT TO CREATE A CULTURE OF WELLNESS - AN ENVIRONMENT WHERE THE HEALTHIEST CHOICE IS EASY. MARYLAND RURAL HEALTHCARE ASSOCIATION IS ANOTHER AGENCY THAT PROMOTES THE DELIVERY OF RURAL HEALTH CARE, THEIR MISSION STATEMENT IS TO: ENHANCE THE HEALTH AND WELL BEING OF RURAL POPULATIONS IN MARYLAND THROUGH LEADERSHIP, EDUCATION, ADVOCACY AND COLLABORATION. THE HOSPITAL IS REPRESENTED ON THIS COMMITTEE AND IS COMMITTED TO FINDING SOLUTIONS TO PROVIDING THE MOST EFFICIENT AND EFFECTIVE HEALTHCARE DELIVERY TO AN UNDERSERVED RURAL

Part VI Supplemental Information

Complete this part to provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments 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 hospitals 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.

POPULATION.

THERE EXIST GEOGRAPHIC POCKETS IN PENINSULA REGIONAL'S SERVICE AREA WHICH ARE FEDERALLY LISTED AS BEING UNDERSERVED BY HEALTHCARE PROVIDERS. IN AN EFFORT TO ADDRESS THE RURAL POPULATIONS NEED FOR PROVIDERS, THE HOSPITAL HAS PARTNERED IN DEVELOPING HEALTHCARE PROGRAMS WITH LOCAL COLLEGES AND UNIVERSITIES. FOR EXAMPLE, THE HOSPITAL HAS COLLABORATED WITH UMES (UNIVERSITY OF MARYLAND EASTERN SHORE) AND HAS MADE A 5 YEAR \$250,000 DOLLAR INVESTMENT IN THEIR PHYSICIAN ASSISTANT PROGRAM. THIS INVESTMENT WILL EXPAND THE HEALTHCARE EDUCATIONAL OPPORTUNITIES, AND IN THE FUTURE PROVIDE HEALTH CARE PROFESSIONALS AVAILABLE TO CARE FOR RESIDENTS IN OUR REGION. THERE CONTINUES TO BE ONGOING COLLABORATIONS WITH WOR-WIC COMMUNITY COLLEGE AND SALISBURY UNIVERSITY TO FURTHER DEVELOP HEALTHCARE PROGRAMS AND PROVIDERS TO MEET THE CHALLENGES OF 21ST CENTURY HEALTHCARE.

PART VI, LINE 6

PENINSULA REGIONAL MEDICAL CENTER IS PART OF THE PENINSULA REGIONAL

Part VI Supplemental Information

Complete this part to provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments 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 hospitals 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.

HEALTH SYSTEM. THE SYSTEM INCLUDES A FOUNDATION AND FOR-PROFIT ENTITIES
 WITH INTERESTS IN VARIOUS HEALTH CARE JOINT VENTURES. IN ADDITION TO THE
 COMMUNITY BENEFITS PROVIDED BY THE MEDICAL CENTER, THE HEALTH SYSTEM
 EVALUATES THE NEEDS OF THE COMMUNITY AND WILL PARTICIPATE IN COMMUNITY
 BENEFIT PROGRAMS AS NEEDED.

**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" to Form 990, Part IV, line 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No. 1545-0047

2010

Open to Public Inspection

Name of the organization

PENINSULA REGIONAL MEDICAL CENTER

Employer identification number

52-0591628

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 in 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 checked="" 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 checked="" type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account | <input type="checkbox"/> Personal services (e.g., 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 officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?

3 Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply.

- | | |
|---|---|
| <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 checked="" 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 in 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 from the organization or a related organization? **4a** Yes No
- b** Participate in, or receive payment from, a supplemental nonqualified retirement plan? **4b** Yes No
- c** Participate in, or receive payment from, an equity-based compensation arrangement? **4c** Yes No
- 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) and 501(c)(4) organizations must complete lines 5-9.

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

- a** The organization? **5a** Yes No
- b** Any related organization? **5b** Yes No
- If "Yes" to line 5a or 5b, describe in Part III.

6 For persons listed in 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? **6a** Yes No
- b** Any related organization? **6b** Yes No
- If "Yes" to line 6a or 6b, describe in Part III.

7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III **7** Yes No

8 Were any amounts reported in 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 **8** Yes No

9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)? **9** Yes No

	Yes	No
1a	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3	<input type="checkbox"/>	<input type="checkbox"/>
4a	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4b	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4c	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5a	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5b	<input type="checkbox"/>	<input checked="" type="checkbox"/>
6a	<input checked="" type="checkbox"/>	<input type="checkbox"/>
6b	<input checked="" type="checkbox"/>	<input type="checkbox"/>
7	<input type="checkbox"/>	<input checked="" type="checkbox"/>
8	<input type="checkbox"/>	<input checked="" type="checkbox"/>
9	<input type="checkbox"/>	<input checked="" type="checkbox"/>

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

Schedule J (Form 990) 2010

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 in 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 are not listed on Form 990, Part VII.

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a.

(A) Name	(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 reported in prior Form 990 or Form 990-EZ
	(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
1 R. ALAN NEWBERRY	(i)	785,358.	0.	782,473.	0.	0.	1,567,831.
	(ii)	0.	0.	0.	0.	0.	0.
2 BRUCE I. RITCHIE	(i)	314,624.	62,340.	36,079.	47,221.	20,156.	480,420.
	(ii)	0.	0.	0.	0.	0.	0.
3 MARGARET NALEPPA	(i)	539,971.	148,651.	53,739.	34,548.	20,303.	797,212.
	(ii)	0.	0.	0.	0.	0.	0.
4 LURA LUNSFORD	(i)	273,505.	53,344.	34,423.	32,666.	19,306.	413,244.
	(ii)	0.	0.	0.	0.	0.	0.
5 THOMAS LAWRENCE, M.D.	(i)	372,384.	86,142.	49,884.	40,571.	23,429.	572,410.
	(ii)	0.	0.	0.	0.	0.	0.
6 JAMES MARTIN, M.D.	(i)	573,638.	0.	0.	13,185.	6,448.	593,271.
	(ii)	0.	0.	0.	0.	0.	0.
7 PAUL ZORSKY, M.D.	(i)	498,047.	10,000.	0.	9,602.	21,492.	539,141.
	(ii)	0.	0.	0.	0.	0.	0.
8 JUSTINIAN NGAIZA, M.D.	(i)	607,198.	0.	0.	13,079.	16,055.	636,332.
	(ii)	0.	0.	0.	0.	0.	0.
9 PANPIT KLUG, M.D.	(i)	533,007.	0.	0.	13,185.	10,233.	556,425.
	(ii)	0.	0.	0.	0.	0.	0.
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

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

SUPPLEMENTAL COMPENSATION INFORMATION

SCHEDULE J

PART I, LINE 4B

MARGARET NALEPPA IS A PARTICIPANT IN THE 457F NON QUALIFIED PLAN.

PART I, LINE 6A AND 6B

OFFICERS AND KEY EMPLOYEES OF PENINSULA REGIONAL MEDICAL CENTER ARE PAID

COMPENSATION DETERMINED BY THE NET EARNINGS ACTIVITY OF THE MEDICAL

CENTER AND PENINSULA REGIONAL HEALTH SYSTEM.

**SCHEDULE K
(Form 990)**

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax-Exempt Bonds

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information on Schedule O (Form 990).**

▶ **Attach to Form 990.** ▶ **See separate instructions.**

OMB No. 1545-0047

2010

**Open to Public
Inspection**

Name of the organization

PENINSULA REGIONAL MEDICAL CENTER

Employer identification number

52-0591628

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 EDUCATION FACILITY	52-0936091	574217WT8	02/09/2006	146,668,251.	SEE PART IV		X		X		X
B											
C											
D											

Part II Proceeds

	A		B		C		D	
1 Amount of bonds retired	154,822,905.							
2 Amount of bonds legally defeased								
3 Total proceeds of issue	154,822,905.							
4 Gross proceeds in reserve funds	11,127,422.							
5 Capitalized interest from proceeds								
6 Proceeds in refunding escrows								
7 Issuance costs from proceeds	1,167,501.							
8 Credit enhancement from proceeds								
9 Working capital expenditures from proceeds								
10 Capital expenditures from proceeds	100,184,165.							
11 Other spent proceeds								
12 Other unspent proceeds								
13 Year of substantial completion	2009							
	Yes	No	Yes	No	Yes	No	Yes	No
14 Were the bonds issued as part of a current refunding issue?	X							
15 Were the bonds issued as part of an advance refunding issue?		X						
16 Has the final allocation of proceeds been made?	X							
17 Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

	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						
2 Are there any lease arrangements that may result in private business use of bond-financed property		X						

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

Schedule K (Form 990) 2010

Part III Private Business Use (Continued)

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
3a Are there any management or service contracts that may result in private business use of bond-financed property?	X							
b Are there any research agreements that may result in private business use of bond-financed property?		X						
c Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?	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 ▶	.8500 %							
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 ▶	.1200 %							
6 Total of lines 4 and 59700 %							
7 Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

Part IV Arbitrage

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X						
2 Is the bond issue a variable rate issue?		X						
3a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?	X							
b Name of provider	MORGAN STANLEY							
c Term of hedge	20.400							
d Was the hedge superintegrated?		X						
e Was the hedge terminated?		X						
4a Were gross proceeds invested in a GIC?		X						
b Name of provider								
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5 Were any gross proceeds invested beyond an available temporary period?		X						
6 Did the bond issue qualify for an exception to rebate?	X							

Part V Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K (see instructions).

SCHEDULE K, PART I, COLUMN F
 THE PROCEEDS OF THE ISSUE, AFTER PAYMENT OF FINANCING COSTS, WERE USED
 PRIMARILY (I) TO FINANCE AND REFINANCE A PORTION OF THE COSTS OF
 CONSTRUCTION, RENOVATION, ACQUISITION AND EQUIPPING OF HEALTHCARE

Part III Private Business Use (Continued)

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
3a Are there any management or service contracts that may result in private business use of bond-financed property?								
b Are there any research agreements that may result in private business use of bond-financed property?								
c Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?								
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 ▶		%		%		%		%
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 5		%		%		%		%
7 Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

Part IV Arbitrage

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?								
2 Is the bond issue a variable rate issue?								
3a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?								
b Name of provider								
c Term of hedge								
d Was the hedge superintegrated?								
e Was the hedge terminated?								
4a Were gross proceeds invested in a GIC?								
b Name of provider								
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5 Were any gross proceeds invested beyond an available temporary period?								
6 Did the bond issue qualify for an exception to rebate?								

Part V Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K (see instructions).

FACILITIES; (II) TO REFUND OUTSTANDING 1993 BONDS (ISSUED 10/28/93); (III) TO PAY A PORTION OF THE INTEREST ACCRUING ON THE SERIES 2006 BONDS FOR A PERIOD TO EXTEND TO JANUARY 1, 2009; AND (IV) TO PAY THE

Part III Private Business Use (Continued)

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
3a Are there any management or service contracts that may result in private business use of bond-financed property?								
b Are there any research agreements that may result in private business use of bond-financed property?								
c Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?								
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 ▶		%		%		%		%
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 5		%		%		%		%
7 Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

Part IV Arbitrage

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?								
2 Is the bond issue a variable rate issue?								
3a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?								
b Name of provider								
c Term of hedge								
d Was the hedge superintegrated?								
e Was the hedge terminated?								
4a Were gross proceeds invested in a GIC?								
b Name of provider								
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5 Were any gross proceeds invested beyond an available temporary period?								
6 Did the bond issue qualify for an exception to rebate?								

Part V Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K (see instructions).

COUNTERPARTY A TERMINATION PAYMENT OF \$1,575 IN CONNECTION WITH A FORWARD STARTING INTEREST RATE EXCHANGE AGREEMENT ENTERED INTO ON AUGUST 9, 2005 AND UNWOUND ON JANUARY 24, 2006.

Part III Private Business Use (Continued)

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
3a Are there any management or service contracts that may result in private business use of bond-financed property?								
b Are there any research agreements that may result in private business use of bond-financed property?								
c Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?								
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 ▶		%		%		%		%
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 5		%		%		%		%
7 Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

Part IV Arbitrage

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?								
2 Is the bond issue a variable rate issue?								
3a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?								
b Name of provider								
c Term of hedge								
d Was the hedge superintegrated?								
e Was the hedge terminated?								
4a Were gross proceeds invested in a GIC?								
b Name of provider								
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5 Were any gross proceeds invested beyond an available temporary period?								
6 Did the bond issue qualify for an exception to rebate?								

Part V Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K (see instructions).

SCHEDULE K, PART II, LINE 10
 OF THE AMOUNT REPORTED ON PART II, LINE 10, \$12,281,895 IS CAPITALIZED

Part III Private Business Use (Continued)

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
3a Are there any management or service contracts that may result in private business use of bond-financed property?								
b Are there any research agreements that may result in private business use of bond-financed property?								
c Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?								
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 ▶		%		%		%		%
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 5		%		%		%		%
7 Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

Part IV Arbitrage

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?								
2 Is the bond issue a variable rate issue?								
3a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?								
b Name of provider								
c Term of hedge								
d Was the hedge superintegrated?								
e Was the hedge terminated?								
4a Were gross proceeds invested in a GIC?								
b Name of provider								
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5 Were any gross proceeds invested beyond an available temporary period?								
6 Did the bond issue qualify for an exception to rebate?								

Part V Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K (see instructions).

INTEREST.

SCHEDULE L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions With Interested Persons

▶ **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. ▶ See separate instructions.**

OMB No. 1545-0047

2010

Open To Public Inspection

Name of the organization

PENINSULA REGIONAL MEDICAL CENTER

Employer identification number

52-0591628

Part I Excess Benefit Transactions(section 501(c)(3) and section 501(c)(4) 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) Description of transaction	(c) Corrected?	
			Yes	No
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

2 Enter the amount of tax imposed on 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, Part IV, line 26, or Form 990-EZ, Part V, line 38a.

(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c) Original principal amount	(d) Balance due	(e) In default?		(f) Approved by board or committee?		(g) 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.

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

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

Schedule L (Form 990 or 990-EZ) 2010

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) PENINSULA CARDIOLOGY ASSOCIATES	SEE PART V	258,589.	RENTAL FEES		X
(2)					
(3)					
(4)					
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					

Part V Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule L (see instructions).

SCHEDULE L, PART IV

RENE DESMARIAS, M.D., A TRUSTEE OF THE MEDICAL CENTER, IS A MORE THAN 5%
OWNER OF PENINSULA CARDIOLOGY ASSOCIATES.

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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.

OMB No. 1545-0047

2010

**Open to Public
Inspection**

Name of the organization

PENINSULA REGIONAL MEDICAL CENTER

Employer identification number

52-0591628

FORM 990, PART VI, SECTION A, LINE 2

BUSINESS RELATIONSHIPS

MARGARET NALEPPA, MARTIN NEAT, AND HUGH MCLAUGHLIN ARE MEMBERS OF THE
BOARD OF DIRECTORS OF PENINSULA HEALTH VENTURES, A WHOLLY-OWNED TAXABLE
SUBSIDIARY OF PENINSULA REGIONAL HEALTH SYSTEM.

FORM 990, PART VI, SECTION A LINE 6

MEMBERS OF THE ORGANIZATION

PENINSULA REGIONAL HEALTH SYSTEM IS THE SOLE CORPORATE MEMBER OF THE
MEDICAL CENTER.

FORM 990, PART VI, SECTION A, LINE 7A

MEMBER'S ABILITY TO ELECT MEMBERS OF THE GOVERNING BODY
IN ITS CAPACITY AS THE SOLE CORPORATE MEMBER OF THE MEDICAL CENTER,
PENINSULA REGIONAL HEALTH SYSTEM HAS THE ABILITY TO ELECT MEMBERS OF THE
MEDICAL CENTER'S GOVERNING BODY.

FORM 990, PART VI, SECTION A, LINE 7B

DECISIONS SUBJECT TO APPROVAL BY MEMBERS
AS THE SOLE CORPORATE MEMBER, PENINSULA REGIONAL HEALTH SYSTEM HAS THE
ABILITY TO APPROVE MAJOR EXPENDITURES AND LONG TERM BORROWINGS OF THE
MEDICAL CENTER.

Name of the organization PENINSULA REGIONAL MEDICAL CENTER	Employer identification number 52-0591628
---	--

FORM 990, PART VI, SECTION B, LINE 11B

REVIEW PROCESS OF FORM 990

OVERSIGHT OF THE COMPLETION OF THE ORGANIZATION'S FORM 990 HAS BEEN DELEGATED TO THE CHIEF FINANCIAL OFFICER OF PENINSULA REGIONAL MEDICAL CENTER BY THE PRESIDENT OF THE ORGANIZATION. ONCE THE FORM 990 AND ALL SCHEDULES HAVE BEEN PREPARED BY THE ORGANIZATION'S INDEPENDENT TAX SERVICES PROVIDER, THEY ARE REVIEWED BY THE PRESIDENT PRIOR TO FILING.

FORM 990, PART VI, SECTION B, LINES 12A, 13, 14 & 16B

WRITTEN POLICIES

THE ORGANIZATION DOES HAVE WRITTEN CONFLICT OF INTEREST, WHISTLEBLOWER, DOCUMENT RETENTION & DESTRUCTION AND JOINT VENTURE POLICIES WITH WHICH IT COMPLIES. HOWEVER, THE POLICIES HAD NOT BEEN FORMALLY ADOPTED BY THE HOSPITAL BOARD OR A COMMITTEE OF THE BOARD AS OF JUNE 30, 2011.

FORM 990, PART VI SECTION B, LINE 15

PROCESS USED TO DETERMINE COMPENSATION

THE ORGANIZATION USES A COMPENSATION COMMITTEE TO DETERMINE THE COMPENSATION OF THE CEO/EXECUTIVE DIRECTOR AND OTHER KEY EMPLOYEES. THE CEO OF THE ORGANIZATION HAS A WRITTEN EMPLOYMENT CONTRACT. THE COMPENSATION COMMITTEE USES AN INDEPENDENT CONSULTANT, COMPENSATION SURVEYS AND OTHER ORGANIZATION'S FORM 990 IN THE DETERMINATION PROCESS.

FORM 990, PART VI, SECTION C, LINE 19

AVAILABILITY OF GOVERNING DOCUMENTS, POLICIES AND FINANCIAL STATEMENTS
THE ORGANIZATION'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND

Name of the organization PENINSULA REGIONAL MEDICAL CENTER	Employer identification number 52-0591628
---	--

FINANCIAL STATEMENTS ARE AVAILABLE TO THE PUBLIC UPON REQUEST TO THE
PUBLIC INFORMATION OFFICE OF PENINSULA REGIONAL MEDICAL CENTER.

FORM 990, PART VII, SECTION A, COLUMN (B)

AVERAGE HOURS PER WEEK DEVOTED TO RELATED ORGANIZATIONS

MURRAY HOY

PENINSULA REGIONAL MEDICAL CENTER FOUNDATION - 1HR/WK

PENINSULA REGIONAL HEALTH SYSTEM - 1 HR/WK

MARTIN NEAT

PENINSULA REGIONAL HEALTH SYSTEM - 1HR/WK

PENINSULA HEALTH VENTURES - 1 HR/WK

EDWARD URBAN

PENINSULA REGIONAL HEALTH SYSTEM - 1 HR/WK

WILLIAM MCCAIN

PENINSULA REGIONAL HEALTH SYSTEM - 1 HR/WK

MARGARET NALEPPA

PENINSULA REGIONAL HEALTH SYSTEM - 10 HRS/WK

PENINSULA HEALTH VENTURES - 1 HR/WK

MICHAEL CROUCH, M.D.

PENINSULA REGIONAL HEALTH SYSTEM - 1 HR/WK

Name of the organization

PENINSULA REGIONAL MEDICAL CENTER

Employer identification number

52-0591628

RENE DESMARAIS, M.D.

PENINSULA REGIONAL HEALTH SYSTEM - 1 HR/WK

HERBERT GEARY III

PENINSULA REGIONAL HEALTH SYSTEM - 1 HR/WK

CHRISTJON HUDDLESTON, M.D.

PENINSULA REGIONAL HEALTH SYSTEM - 1 HR/WK

MARION KEENAN

PENINSULA REGIONAL HEALTH SYSTEM - 1 HR/WK

HUGH MCLAUGHLIN

PENINSULA REGIONAL HEALTH SYSTEM - 1 HR/WK

PENINSULA HEALTH VENTURES - 1 HR/WK

MONTY SAYLOR

PENINSULA REGIONAL HEALTH SYSTEM - 1 HR/WK

FAROUK SULTANI, M.D.

PENINSULA REGIONAL HEALTH SYSTEM - 1 HR/WK

JEFFREY TURNER

PENINSULA REGIONAL HEALTH SYSTEM - 1 HR/WK

Name of the organization PENINSULA REGIONAL MEDICAL CENTER	Employer identification number 52-0591628
---	--

FORM 990, PART XI, LINE 5

OTHER CHANGES IN NET ASSETS OR FUND BALANCE

PENSION ADJUSTMENT - FAS 158	\$10,215,573
UNREALIZED GAINS ON INVESTMENTS	14,624,321
INVESTMENT INCOME SWAP	2,697,577
CHANGE IN EQUITY INTEREST OF FOUNDATION	1,140,445
CAPITAL CAMPAIGN TRANSFERS FROM FOUNDATION	127
U/R NET ASSETS RELEASED FROM RESTRICTION	1,200,000
NET ASSETS RELEASED FROM RESTRICTION	(1,520,810)
PARTNERSHIP K-1 INCOME ON BOOKS NOT ON TAX RETURN	40,926

	\$28,398,159

ATTACHMENT 1

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

PENINSULA REGIONAL MEDICAL CENTER IS A NOT-FOR-PROFIT 501 (C) (3) NON-STOCK CORPORATION FOUNDED IN 1897 TO SERVE THE HEALTH CARE NEEDS OF THE COMMUNITY. THE HOSPITAL'S PRIMARY PURPOSE IS TO PROVIDE THE HIGHEST PRIMARY, SECONDARY, AND SELECTED TERTIARY HEALTH CARE SERVICES TO RESIDENTS OF AND VISITORS TO THE MID-DELMARVA PENINSULA IN A COMPETENT, COMPASSIONATE, AND COST-EFFECTIVE MANNER DESIGNED TO ELICIT A HIGH DEGREE OF CUSTOMER SATISFACTION. THE HOSPITAL'S MISSION IS TO IMPROVE THE HEALTH OF THE COMMUNITIES WE SERVE BY PROVIDING QUALITY MEDICAL CARE REGARDLESS OF RACE, CREED, SEX, NATIONAL ORIGIN, HANDICAP, OR AGE. IF A PATIENT IS UNABLE TO PAY DUE TO FINANCIAL RESOURCES, EFFORTS WILL BE TAKEN TO ASSURE CARE AT AN AFFORDABLE COST, OR OBTAINED

Name of the organization PENINSULA REGIONAL MEDICAL CENTER	Employer identification number 52-0591628
---	--

ATTACHMENT 1 (CONT'D)

ASSISTANCE THROUGH APPROPRIATE AGENCIES ON THE PATIENT'S BEHALF.
EMERGENCY SERVICES CARE WILL BE PROVIDED TO EVERYONE REGARDLESS OF
ABILITY TO PAY.

PENINSULA REGIONAL MEDICAL CENTER SERVED OVER 23,000 INPATIENTS
AND PROVIDED MORE THAN 475,000 OUTPATIENT SERVICES DURING FISCAL
2011. FOOD SERVICE PROVIDED MORE THAN 530,000 MEALS TO PATIENTS
AND EMPLOYEES.

ALTHOUGH REIMBURSEMENT FOR SERVICES RENDERED IS CRITICAL TO THE
OPERATION AND STABILITY OF PENINSULA REGIONAL MEDICAL CENTER, IT
IS RECOGNIZED THAT NOT ALL INDIVIDUALS POSSESS THE ABILITY TO PAY
FOR ESSENTIAL MEDICAL SERVICES. THE HOSPITAL, IN KEEPING WITH THE
COMMITMENT TO SERVE ALL MEMBERS OF THE COMMUNITY, DURING FISCAL
2011 PROVIDED:

CHARITY AND OTHER ALLOWANCES TOTALING \$39,261,709

DISCOUNTS TO THIRD PARTY PAYORS INCLUDING

GOVERNMENT PROGRAMS SUCH AS MEDICARE

AND MEDICAID \$37,721,489

WRITE-OFF OF UNCOLLECTIBLE ACCOUNTS \$17,410,750

THE TOTAL UNREIMBURSED VALUE OF PROVIDING CARE

TO THESE PATIENTS IS \$94,393,948

ALSO PROVIDED ARE MANY WELLNESS PROGRAMS, COMMUNITY EDUCATION AND

Name of the organization PENINSULA REGIONAL MEDICAL CENTER	Employer identification number 52-0591628
---	--

ATTACHMENT 1 (CONT'D)

FREE PROGRAMS OFFERED THROUGHOUT THE YEAR BASED UPON ACTIVITIES AND SERVICES THAT PENINSULA REGIONAL MEDICAL CENTER BELIEVES WILL SERVE A BONA FIDE COMMUNITY HEALTH NEED. SOME OF THE PROGRAMS ARE AS FOLLOWS:

A VARIETY OF BROCHURES ARE DISPLAYED IN ALL HOSPITAL WAITING AREAS TO EDUCATE MEMBERS OF THE COMMUNITY REGARDING PROGRAMS AND SERVICES.

PARTICIPATION IN HEALTH FAIRS DURING FY 2011 IN ORDER TO FOSTER HEALTH EDUCATION IN THE COMMUNITY.

BEING CALLED UPON TO SPEAK BEFORE COMMUNITY ORGANIZATIONS ON A VARIETY OF HEALTHCARE TOPICS. WE PROVIDE CHILDBIRTH PREPARATION CLASSES, EXERCISE CLASSES FOR PRENATAL AND POSTPARTUM WOMEN AND CPR CLASSES.

WE PROVIDE ASSISTANCE TO EDUCATORS THROUGH OUR WORK WITH STUDENT NURSES, RADIOLOGY, RESPIRATORY AND LABORATORY TECHNICIANS.

DURING FY 2011, PENINSULA REGIONAL MEDICAL CENTER VOLUNTEERS CONTRIBUTED OVER 45,000 HOURS TOWARD THE COMMON PURPOSE OF SERVICING THE HEALTH CARE OF THE COMMUNITY.

Name of the organization

PENINSULA REGIONAL MEDICAL CENTER

Employer identification number

52-0591628

ATTACHMENT 1 (CONT'D)

PROGRAM ACTIVITY

DURING FY 2011, PENINSULA REGIONAL MEDICAL CENTER PERFORMED OVER 375 COMMUNITY OUTREACH ACTIVITIES. SPECIFIC EXAMPLES OF EDUCATION AND OUTREACH PROGRAMS, SUPPORT GROUPS, COMMUNITY HEALTH SCREENINGS, AND FITNESS AND WELLNESS ACTIVITIES SUPPORTED BY PENINSULA REGIONAL MEDICAL CENTER ARE AS FOLLOWS:

COMMUNITY EDUCATIONAL AND OUTREACH PROGRAMS

LABOR & DELIVERY TOURS (EXCLUSIVE OF CHILDBIRTH CLASS TOURS)

CPR

CHILDBIRTH PREPARATION CLASSES

REFRESHER COURSE - CHILDBIRTH

SIBLING CLASSES

INFANT CARE CLASSES

GRANDPARENT CLASSES

SAFE SITTER PROGRAM

WOMEN'S HEALTH EDUCATION

SUPPORT GROUPS

DIABETES SUPPORT GROUPS

STROKE SUPPORT GROUP

HEAD AND NECK CANCER SUPPORT GROUP

Name of the organization

PENINSULA REGIONAL MEDICAL CENTER

Employer identification number

52-0591628

ATTACHMENT 1 (CONT'D)

EVENTS :

COMMUNITY SCREENINGS

HEIGHT/WEIGHT, BLOOD PRESSURE

SKIN CANCER SCREENINGS

ORAL, HEAD AND NECK CANCER SCREENINGS

HEARING SCREENINGS

FLU CLINIC

EDUCATIONAL EXHIBITS - DIABETES EDUCATION, TRAUMA, WOMEN'S

HEALTH, SAFE SITTER, RELAY FOR LIFE

BENEFITS:

MARCH OF DIMES WALK AMERICA

UNITED WAY

WOMEN SUPPORTING WOMEN

FITNESS/EXERCISE PROGRAMMING:

CARDIAC REHABILITATION

INDOOR CYCLING AND WEIGHTS

WOMEN AND WEIGHT TRAINING

Name of the organization PENINSULA REGIONAL MEDICAL CENTER	Employer identification number 52-0591628
---	--

ATTACHMENT 2

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

<u>NAME AND ADDRESS</u>	<u>DESCRIPTION OF SERVICES</u>	<u>COMPENSATION</u>
HORIZON CSA 265 PIT ROAD MOORESVILLE, NC 28115	BIOMEDICAL SERVICES	4,841,504.
SHERIDAN ANESTHESIA OF MD PO BOX 452197 SUNRISE, FL 33323	ANESTHESIA SERVICES	1,606,057.
MAYO MEDICAL LABORATORIES PO BOX 9146 MINNEAPOLIS, MN 55480	MEDICAL SERVICES	1,379,692.
SPECIALITY CARE CARDIOVASCULAR RESOURCE DEPT 1614, PO BOX 1614 BIRMINGHAM, AL 35246	MEDICAL SERVICES	1,211,461.
PENINSULA ORTHOPAEDIC ASSOCIATES 1675 WOODBROOKE DRIVE SALISBURY, MD 21801	MEDICAL SERVICES	1,021,757.
TOTAL COMPENSATION		<u>10,060,471.</u>

**SCHEDULE R
(Form 990)**

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

OMB No. 1545-0047

2010

**Open to Public
Inspection**

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.**
▶ **Attach to Form 990.** ▶ **See separate instructions.**

Name of the organization

PENINSULA REGIONAL MEDICAL CENTER

Employer identification number

52-0591628

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

(a) Name, address, and EIN 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) PENINSULA REGIONAL MEDICAL FOUNDATION 52-1851935 100 EAST CARROLL ST. SALISBURY, MD 21801	FUNDRAISING	MD	501 (C) (3)	11 TYPE I	N/A		X
(2) PENINSULA REGIONAL HEALTH SYSTEM, INC 52-2132761 100 EAST CARROLL ST. SALISBURY, MD 21801	PARENT	MD	501 (C) (3)	11 TYPE II	N/A		X
(3) PENINSULA GENERAL HOSPITAL INS. TRUST 52-6321234 100 EAST CARROLL ST. SALISBURY, MD 21801	INS TRUST	MD	501 (C) (3)	11 TYPE III	N/A	X	
(4) -----							
(5) -----							
(6) -----							
(7) -----							

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

Schedule R (Form 990) 2010

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) DELMARVA SURGERY CENTER 52-225 641 S. SALISBURY BLVD.	HEALTHCARE	MD	N/A	N/A								
(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
(1) PENINSULA HEALTH VENTURES, INC 52-2250012 100 EAST CARROLL ST. SALISBURY SALISBURY, MD 21801	INVESTMENTS	MD	N/A	C CORP			
(2) PRLTC INC. 52-2190588 100 EAST CARROLL ST. SALISBURY, MD 21801	LONG TERM CARE	MD	N/A	C CORP			
(3) -----							
(4) -----							
(5) -----							
(6) -----							
(7) -----							

Part V Transactions With Related Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34, 35, 35a, 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 other organization(s)		X
c Gift, grant, or capital contribution from other organization(s)		X
d Loans or loan guarantees to or for other organization(s)		X
e Loans or loan guarantees by other organization(s)		X
f Sale of assets to other organization(s)		X
g Purchase of assets from other organization(s)		X
h Exchange of assets		X
i Lease of facilities, equipment, or other assets to other organization(s)		X
j Lease of facilities, equipment, or other assets from other organization(s)		X
k Performance of services or membership or fundraising solicitations for other organization(s)	X	
l Performance of services or membership or fundraising solicitations by other organization(s)	X	
m Sharing of facilities, equipment, mailing lists, or other assets	X	
n Sharing of paid employees	X	
o Reimbursement paid to other organization for expenses		X
p Reimbursement paid by other organization for expenses	X	
q Other transfer of cash or property to other organization(s)		X
r Other transfer of cash or property from other 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 other organization	(b) Transaction type (a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) PENINSULA REGIONAL MEDICAL CENTER FOUNDATION	L, R	1,458,780.	FMV
(2) PENINSULA REGIONAL MEDICAL CENTER FOUNDATION	M, N, P	440,431.	FMV
(3) PENINSULA HEALTH VENTURES	K	200,000.	FMV
(4)			
(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) Are all partners section 501(c)(3) organizations?		(e) Share of end-of-year assets	(f) Disproportionate allocations?		(g) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner?	
			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**

Complete this part to provide additional information for responses to questions on Schedule R (see instructions).



FINANCIAL STATEMENTS AND
OTHER FINANCIAL INFORMATION

Peninsula Regional Medical Center
Years Ended June 30, 2011 and 2010
With Reports of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

Peninsula Regional Medical Center

Financial Statements and Other Financial Information

Years Ended June 30, 2011 and 2010

Contents

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Report of Independent Auditors

Board of Trustees
Peninsula Regional Medical Center

We have audited the accompanying balance sheets of Peninsula Regional Medical Center (the Hospital) as of June 30, 2011 and 2010, and the related statements of operations and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Hospital's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Peninsula Regional Medical Center at June 30, 2011 and 2010, and the results of its operations and changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

September 16, 2011

Peninsula Regional Medical Center

Balance Sheets (In Thousands)

	June 30	
	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 25,638	\$ 25,295
Short-term investments	5,836	5,522
Accounts receivable, less allowance for uncollectible accounts (2011 – \$7,072; 2010 – \$7,689)	35,572	35,482
Inventories and other	13,119	12,306
Total current assets	80,165	78,605
Long-term investments	136,117	100,227
Board-designated investments	16,420	13,475
Assets limited as to use:		
Debt service reserve fund	9,349	9,376
Donor-restricted fund	23,607	19,937
Self-insurance fund	14,459	12,494
	47,415	41,807
Property and equipment, net	206,154	212,665
Unamortized financing costs, net of accumulated amortization (2011 – \$471; 2010 – \$373)	2,450	2,548
Other assets	3,687	1,782
Total assets	\$ 492,408	\$ 451,109

	June 30	
	2011	2010
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	\$ 2,810	\$ 2,720
Current portion of accrued self-insured liabilities	1,895	695
Accounts payable and accrued liabilities	26,507	25,975
Advances from third-party payors	8,461	8,158
Total current liabilities	<u>39,673</u>	<u>37,548</u>
Long-term debt, net	131,566	134,675
Other liabilities	12,134	27,581
Total liabilities	<u>183,373</u>	<u>199,804</u>
Net assets:		
Unrestricted	286,635	231,374
Temporarily restricted	14,335	11,880
Permanently restricted	8,065	8,051
Total net assets	<u>309,035</u>	<u>251,305</u>
Total liabilities and net assets	<u>\$ 492,408</u>	<u>\$ 451,109</u>

See accompanying notes.

Peninsula Regional Medical Center

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

	Year Ended June 30	
	2011	2010
Unrestricted revenue and other support:		
Net patient service revenue	\$ 380,052	\$ 368,409
Other operating revenue	2,357	2,059
Total unrestricted revenue and other support	<u>382,409</u>	<u>370,468</u>
Operating expenses:		
Salaries and wages	138,742	137,107
Supplies and other expenses	146,120	144,028
Employee benefits	36,169	36,592
Depreciation	21,829	20,881
Bad debts	17,411	17,977
Interest	6,591	6,853
Total operating expenses	<u>366,862</u>	<u>363,438</u>
Income from operations	15,547	7,030
Nonoperating income:		
Nonoperating income	12,164	10,304
Basis swap income	3,128	1,753
	<u>15,292</u>	<u>12,057</u>
Excess of unrestricted revenue and other support over expenses	\$ 30,839	\$ 19,087

(continued)

Peninsula Regional Medical Center

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

	Year Ended June 30	
	2011	2010
Unrestricted net assets:		
Excess of unrestricted revenue and other support over expenses	\$ 30,839	\$ 19,087
Net assets released from restrictions	1,200	2,530
Unrealized gains on investments	13,006	4,433
Pension adjustment	10,216	(1,620)
Increase in unrestricted net assets	55,261	24,430
Temporarily restricted net assets:		
Capital campaign transfers from the Foundation	-	1
Change in equity interest in the Foundation	1,141	1,048
Donations	-	29
Net realized gains on investments	1,222	865
Unrealized gains on investments	1,613	541
Net assets released from restrictions	(1,521)	(2,942)
Increase (decrease) in temporarily restricted net assets	2,455	(458)
Permanently restricted net assets:		
Donations	5	12
Net realized gains on investments	4	3
Unrealized gain on investments	5	2
Increase in permanently restricted net assets	14	17
Increase in net assets	57,730	23,989
Net assets at beginning of year	251,305	227,316
Net assets at end of year	\$ 309,035	\$ 251,305

See accompanying notes.

Peninsula Regional Medical Center

Statements of Cash Flows (In Thousands)

	Year Ended June 30	
	2011	2010
Operating activities		
Change in net assets	\$ 57,730	\$ 23,989
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation of property and equipment	21,829	20,835
Amortization of original issue premium	(299)	(297)
Amortization of intangible assets	98	98
(Gain) loss on sale of property and equipment	(32)	65
Net unrealized gains on investments	(13,021)	(4,976)
Net realized gains on investments	(7,478)	(5,813)
Non-cash change in donor-restricted fund	(2,038)	1,297
Proceeds from restricted contributions and realized losses on restricted investments	1,226	867
Changes in operating assets and liabilities:		
Accounts receivable	(90)	1,630
Inventories and other assets	(2,718)	(1,594)
Accounts payable and accrued liabilities	532	(2,124)
Accrued self-insured and other liabilities	(14,247)	(2,793)
Advances from third-party payors	303	13
Net cash provided by operating activities	41,795	31,197
Investing activities		
Purchase of investments	(99,550)	(95,247)
Proceeds from sales of investments	79,990	94,696
Purchases of property and equipment	(15,286)	(17,727)
Change in assets limited as to use	(2,660)	(1,546)
Net cash used in investing activities	(37,506)	(19,824)
Financing activities		
Proceeds from restricted contributions and realized losses on restricted investments	(1,226)	(867)
Repayments of long-term debt	(2,720)	(2,625)
Net cash used in financing activities	(3,946)	(3,492)
Net increase in cash and cash equivalents	343	7,881
Cash and cash equivalents at beginning of year	25,295	17,414
Cash and cash equivalents at end of year	\$ 25,638	\$ 25,295

See accompanying notes.

Peninsula Regional Medical Center

Notes to Financial Statements (In Thousands)

June 30, 2011

1. Organization and Mission

Peninsula Regional Medical Center (the Hospital) is a not-for-profit, nonstock corporation founded in 1897 to serve the health care needs of its region. Primary service areas include the Maryland counties of Wicomico, Somerset and Worcester, south Delaware and the northern Eastern Shore of Virginia. The Hospital's mission is to improve the health care of the community by providing exceptional quality primary, secondary and selected tertiary health care services to patients in a competent and compassionate manner, designed to elicit a high degree of customer satisfaction. The Hospital provides services regardless of race, creed, sex, national origin, handicap or age.

The Hospital is a wholly owned subsidiary of Peninsula Regional Health System, Inc. (the Health System) which serves as the parent company to the Hospital, Peninsula Regional Medical Center Foundation, Inc. (the Foundation) and Peninsula Health Ventures, Inc. (Health Ventures). The Health System is a not-for-profit Maryland membership corporation established to manage the integrated delivery of health care services to the community. The Health System is the sole corporate member of the Hospital, the Foundation and Health Ventures. In its capacity as sole member of these entities, the Health System will appoint trustees, approve major expenditures and approve long-term borrowings.

2. Significant Accounting Policies

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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Reclassifications

Certain amounts from the prior year financial statements have been reclassified in order to conform to the current year presentation.

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and advances from third-party payors, approximate fair value given the short-term nature of these financial instruments.

Cash and Cash Equivalents

Cash and cash equivalents include surplus operating funds invested in money market funds and highly liquid corporate, U.S. government and agency obligations, all with maturities of less than three months when purchased.

Investments and Investment Income

Investments are carried at fair value. All such investments are considered available for sale and are classified as current or noncurrent assets based on management's intention as to use. Short-term investments represent investments with contractual maturities within one year and current investments in money market funds which have been designated for long-term investment purposes. Assets limited as to use by donor restriction are recorded at fair value at the date of donation and changes in fair value are recognized in the period in which the change occurs. Investment income from all unrestricted investments is reported as nonoperating income. Investment income on investments of restricted assets is added to or deducted from the appropriate restricted net assets when restricted as to use by the donor.

The value of securities sold is based on the specific identification method.

The Hospital periodically evaluates whether any declines in the fair value of investments are other-than-temporary. This evaluation consists of a review of several factors, including but not limited to: length of time and extent that a security has been in an unrealized loss position; the existence of an event that would impair the issuer's future earnings potential; the near-term prospects for recovery of the market value of a security; and the intent and ability of the Hospital to hold the security until the market value recovers. Realized gains or losses are included in nonoperating (expense) income in the accompanying statements of operations. Declines in fair value below cost that are deemed to be other-than-temporary would be recorded as realized losses within nonoperating (expense) income. Based on its evaluation, the Hospital has recorded no other-than-temporary impairments for the years ended June 30, 2011 and 2010.

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

2. Significant Accounting Policies (continued)

Derivative Instruments

The Hospital entered into a forward-starting interest rate exchange agreement on August 9, 2005 with Morgan Stanley Capital Services Inc. (the Counterparty) to reduce the risk of changing interest rates with a notional amount of \$137,845. Under the agreement, the Hospital paid a fixed rate of approximately 3.5% and received a variable rate of 68% of three-month London Interbank Offered Rate (LIBOR). The Hospital unwound the agreement on January 24, 2006 and paid the Counterparty a termination payment of \$1,575 on February 9, 2006 from proceeds of the 2006 Bond issue. The termination payment of \$1,575 has been recognized as unamortized financing costs and is being amortized over the life of the 2006 Bond issue using the straight-line method, which approximates the effective interest method.

On January 26, 2006, the Hospital amended the August 9, 2005 agreement with the Counterparty and entered into an interest rate swap (the Basis Swap) on a notional amount of \$142,910 under which the Hospital will pay the Counterparty floating rate payments based upon the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index and will receive floating rate payments based upon 68% of three-month LIBOR, plus a fixed spread of 0.523%. Under Accounting Standards Codification (ASC) No. 815, *Derivatives and Hedging*, the Hospital has recognized its derivative instruments in the balance sheets at fair value. As these derivative instruments are not designated as hedges, the changes in fair value have been recognized in the accompanying statements of operations and changes in net assets as mark-to-market adjustments, included within basis swap income (loss).

The fair market value of the swap agreement is included in other liabilities or other assets in the accompanying balance sheets. The fair market value calculation includes a credit valuation adjustment (CVA) as required by ASC 820, *Fair Value Measurements and Disclosures*. At June 30, 2011, the valuation of the interest rate swap asset was increased by \$447 when applying the CVA. At June 30, 2010, the valuation of the interest rate swap agreement liability position was reduced by \$708 when applying the CVA. The change in the fair market value of the swap agreement is recorded in the performance indicator, as the swaps are not designated as an effective hedge.

Credit exposure associated with non-performance 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.

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

2. Significant Accounting Policies (continued)

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

At June 30, 2011, the value of this instrument was a \$357 asset position, recorded in other assets. At June 30, 2010, the value of this instrument was a \$2,075 liability position, recorded in other liabilities.

Accounts Receivable and Contractual Allowances

The Hospital provides services to patients in the Eastern Shore area of Maryland, Delaware and Virginia, the majority of whom are covered by third-party health insurance. The Hospital bills the insurer directly for services provided.

Insurance coverage and financial information is obtained from patients upon admission when available. The Hospital's policy is to perform in-house collection procedures for approximately 85 days. A determination is made at that time as to what additional collection efforts to pursue. A provision for uncollectible accounts is recorded for amounts not yet written off, which are expected to become uncollectible.

Discounts ranging from 2% to 6% of charges are given to Medicare, Medicaid and certain approved commercial health insurance and health maintenance organization programs for regulated services. Discounts in varying percentages are given for certain unregulated services. These major payors routinely review patient billings and deny payment for certain charges as medically unnecessary or as performed without appropriate preauthorization. Discounts and denials are recorded as reductions of net patient service revenue. Accounts receivable from these third-party payors have been adjusted to reflect the difference between charges and the estimated reimbursable amounts.

Approximately 33% and 36%, respectively, of accounts receivable were due from the Medicare program as of June 30, 2011 and 2010, respectively.

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on the financial statements. Compliance

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

2. Significant Accounting Policies (continued)

with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from Medicare and Medicaid programs.

Inventories and Other Assets

Inventories and other primarily includes inventories of supplies and prepaid expenses. Inventories of supplies are carried at lower of cost or market, using the first-in, first-out method.

Other Assets

Other assets primarily include an investment in a limited partnership. This investment is accounted for under the equity method of accounting.

Assets Limited as to Use

Assets limited as to use primarily includes assets held by trustees under indenture agreements, assets held by trustees under irrevocable self-insurance trust agreements and assets whose use has been limited by the donor of the underlying funds. Assets limited as to use also includes the Hospital's beneficial interest in the Foundation's temporarily restricted net assets. Amounts required to meet current liabilities of the Hospital have been classified in the balance sheets as current assets.

Board-Designated Investments

Board-designated investments include assets set aside by the Board of Trustees for future capital improvements and expansion. The Board of Trustees retains control of these assets and may, at its discretion, subsequently use them for other purposes.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

2. Significant Accounting Policies (continued)

Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted donations. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Unamortized Financing Costs

Financing costs incurred in issuing the Maryland Health and Higher Educational Facilities Authority Project and Refunding Revenue Bonds have been capitalized and are being amortized using the straight-line method over the life of the bonds, which approximates the effective interest method. The amount amortized is recorded as an operating expense.

Estimated Self-Insurance Liabilities and Workers' Compensation

The provision for estimated professional liability claims, general liability claims and workers' compensation claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Pension Benefits

Pension benefits are recorded in accordance with ASC No. 715, *Compensation – Retirement Benefits*, which requires the recognition of the funded status of pension plans within the accompanying balance sheets. As of June 30, 2011 and 2010, the funded status of the pension plan has been recorded within other long-term assets and other long-term liabilities, respectively.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time period or purpose. Temporarily restricted net assets are to be used for capital purposes and other health care services.

Permanently restricted net assets have been restricted by donors to be maintained by the Hospital in perpetuity.

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

2. Significant Accounting Policies (continued)

Net Patient Service Revenue

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors and others for services rendered. During 2011 and 2010, approximately 49% and 49% of net patient service revenue was received under the Medicare program, 13% and 14% from CareFirst Blue Cross Blue Shield, 30% and 29% from contracts with other third parties, and 8% and 8% from other sources, respectively.

The following table sets forth the detail of net patient service revenue:

	Year Ended June 30	
	2011	2010
Gross patient service revenue	\$ 457,035	\$ 426,582
Revenue deductions:		
Charity care	15,662	13,865
Contractual and other allowances	61,321	44,308
Net patient service revenue	<u>\$ 380,052</u>	<u>\$ 368,409</u>

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Hospital 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 either temporarily or permanently restricted donations 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 the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

2. Significant Accounting Policies (continued)

Nonoperating Income

Nonoperating income primarily includes investment income from short-term and long-term investments, board-designated investments and investments within assets limited as to use. In addition, investment income is also recorded for certain equity method investments that are included within other assets.

The components of nonoperating income are as follows:

	Year Ended June 30	
	2011	2010
Interest and dividend income	\$ 3,356	\$ 3,204
Realized gains, net	7,478	5,813
Income earned on equity method investments	1,316	1,202
Other	14	85
Total	<u>\$ 12,164</u>	<u>\$ 10,304</u>

Income Taxes

The Hospital is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Performance Indicator

The performance indicator for the Hospital is excess of unrestricted revenue and other support over expenses, which includes all changes in unrestricted net assets except for changes in unrealized gains and losses on investments, pension adjustments in accordance with ASC No. 958-715 – *Not for Profit Entities – Compensation – Retirement Benefits* and net assets released from restrictions for property acquisitions.

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

2. Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In January 2010, the FASB issued ASC Accounting Standards Update (ASU) No. 2010-06 (ASU 2010-06), which clarifies certain existing fair value measurement disclosure requirements of ASC Topic 820 – *Fair Value Measurements and Disclosures* and also requires additional fair value measurement disclosures. Specifically, ASU 2010-06 clarifies that assets and liabilities must be leveled by major class of asset or liability, and provides guidance regarding the identification of such major classes. Additionally, disclosures are required about valuation techniques and the inputs to those techniques, for those assets or liabilities designated as Level 2 or Level 3 instruments. Disclosures regarding transfers between Level 1 and Level 2 assets and liabilities are required, as well as a deeper level of disaggregation of activity within existing rollforwards of the fair value of Level 3 assets and liabilities. The adoption of this guidance did not have a significant impact on the Hospital's financial statements for the year ended June 30, 2011.

In August 2010, the FASB issued ASU 2010-23 which provided guidance on measuring charity care for disclosure purposes. This guidance requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing charity care. Disclosure requirements include the method used to identify or determine such costs. This guidance is effective for the Hospital for the fiscal year ending June 30, 2012. The Hospital is currently evaluating the impact of this guidance.

In July 2011, the FASB issued ASU 2011-07 which provided guidance on the presentation and disclosure of patient service revenue, provisions for bad debts, and the allowance for doubtful accounts for certain health care entities. This guidance changes the presentation of the statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, the guidance requires enhanced disclosures about the policies for recognizing revenue and assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. This guidance is effective for the Hospital for the fiscal year ending June 30, 2013. The Hospital is currently evaluating the impact of this guidance.

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

3. Property and Equipment

A summary of property and equipment follows:

	Estimated Useful Lives	June 30	
		2011	2010
Land	–	\$ 10,492	\$ 10,492
Land improvements	20	11,228	10,626
Buildings and improvements	15 – 40	190,880	188,294
Fixed equipment	20	30,270	30,270
Movable equipment	7 – 10	189,707	179,964
		<u>432,577</u>	<u>419,646</u>
Less accumulated depreciation		(233,750)	(213,078)
		<u>198,827</u>	<u>206,568</u>
Construction in progress		7,327	6,097
Property and equipment, net		<u>\$ 206,154</u>	<u>\$ 212,665</u>

As of June 30, 2011, the Hospital was committed to building and equipment purchases totaling approximately \$1,279.

4. Other Liabilities

The components of other liabilities are as follows:

	June 30	
	2011	2010
Long-term benefit obligation	\$ –	\$ 14,610
Self insurance obligations	11,695	10,087
Interest rate swap liability	–	2,075
Other	439	809
Total	<u>\$ 12,134</u>	<u>\$ 27,581</u>

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

5. Long-Term Debt

Long-term debt consists of the following:

	June 30	
	2011	2010
Maryland Health and Higher Educational Facilities Authority Revenue Bonds Series 2006:		
Serial bonds with interest rates ranging from 3.50% to 5.00% and effective rates ranging from 3.49% to 4.67% due in various annual amounts on July 1 of each year from 2007 through 2021 and 2027	\$ 36,560	\$ 39,265
5.00% term bonds with effective rate of 4.44% due July 1, 2026	24,635	24,635
5.00% term bonds with effective rate of 4.63% due July 1, 2036	69,505	69,505
Property acquisition note:		
5.50% due March 1 of each year from 2007 to 2015	60	75
	<u>130,760</u>	<u>133,480</u>
Less:		
Current portion of Maryland Health and Higher Educational Facilities Authority Series 2006 serial bonds	2,795	2,705
Property acquisition note	15	15
	<u>127,950</u>	<u>130,760</u>
Original issue premium	3,616	3,915
Long-term debt, less current portion	<u>\$ 131,566</u>	<u>\$ 134,675</u>

On February 9, 2006, the Maryland Health and Higher Educational Facilities Authority (MHHEFA) authorized the issuance of \$142,910 aggregate principal amount of Revenue Bonds (Series 2006 Bonds) at a premium of \$5,333. The proceeds of the issue, after payment of financing costs, were used primarily (i) to finance and refinance a portion of the costs of construction, renovation, acquisition and equipping of the 2006 Project; (ii) to refund outstanding 1993 bonds; (iii) to pay a portion of the interest accruing on the Series 2006 Bonds for a period to extend to January 1, 2009; and (iv) to pay the Counterparty a termination payment of \$1,575 in connection with a forward starting interest rate exchange agreement entered into on August 9, 2005 and unwound on January 24, 2006.

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

5. Long-Term Debt (continued)

Under the terms of the 2006 project and refunding revenue bonds, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included within assets limited as to use. The revenue note indenture also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performance as long as the notes are outstanding.

The Hospital is required to make semiannual payments to the trustee sufficient to meet the annual debt service requirements of the refunding bond issue for the succeeding year. Annual sinking fund installments for the term bonds range from \$3,690 on July 1, 2027 to \$8,820 at maturity. The premium on the Series 2006 Bonds is being amortized over the life of the bonds using the effective interest method.

As security for the debt service requirements of the Series 2006 Bonds, MHHEFA has a first lien and claim on all receipts of the Hospital. The terms of the indenture agreement restrict the Hospital's ability to create additional indebtedness and its use of the facilities, and require the Hospital to maintain stipulated insurance coverage and a rate structure in each year sufficient to meet certain rate covenant requirements.

On March 1, 2006, the Hospital entered into a promissory note for the acquisition of property in the amount of \$135 (\$60 outstanding at June 30, 2011). The interest rate is 5.50% with principal and interest due annually through 2015.

On October 30, 2001, Delmarva Surgery Center, LLC (the Company), a 51%-owned subsidiary of Health Ventures, entered into variable rate loan agreements with M&T Bank in the amount of \$4,500 (\$2,168 outstanding at June 30, 2011) with monthly payments in various amounts through May 2012 to build and equip an ambulatory surgery center. The Company has entered into interest rate swap agreements that effectively convert its variable rate debt to a fixed rate basis for the years ended June 30, 2011 and 2010. The unrealized gain or loss on the interest rate swap is not significant.

Health Ventures has guaranteed the loan limited to its pro rata interest. In addition, the Hospital has entered into an agreement with M&T Bank to guarantee Health Ventures' commitment for this loan.

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

5. Long-Term Debt (continued)

Scheduled principal repayments on long-term debt for the years ending June 30 are as follows:

2012	\$ 2,810
2013	2,930
2014	3,055
2015	3,185
2016	3,330
2017 and thereafter	115,450
	<u>\$ 130,760</u>

Fair values of long-term debt are estimated using discounted cash flow analyses, based on current incremental borrowing rates for similar types of borrowing arrangements.

The fair market value of the Hospital's long-term debt outstanding as of June 30, 2011 and 2010 was \$130,631 and \$135,899, respectively.

Total interest paid for fiscal years 2011 and 2010 was \$6,544 and \$6,652, respectively.

6. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	June 30	
	2011	2010
Health care services:		
Capital purposes	\$ 10,310	\$ 8,095
Patient services	3,295	3,027
Educational purposes	730	758
	<u>\$ 14,335</u>	<u>\$ 11,880</u>

Peninsula Regional Medical Center

Notes to Financial Statements (continued)
(In Thousands)

6. Temporarily and Permanently Restricted Net Assets (continued)

Permanently restricted net assets are restricted to:

	June 30	
	2011	2010
Investments to be held in perpetuity, the income from which is expendable to support health care services	\$ 8,065	\$ 8,051

The Foundation initiated a major fundraising campaign for capital funds during fiscal year 2005 to support the Hospital's capital plans that include expansion and modernization of facilities. The Foundation has raised approximately \$14,834 as of June 30, 2011, which includes net pledges receivable present valued at approximately \$2,515. There were two large donations that represent approximately 32% and 35%, respectively, of the net pledges receivable at year-end. The Foundation expects to receive payment on the majority of the pledges by 2014 and all payments by 2025.

Scheduled payments on pledges receivable for the years ending June 30 are as follows:

2012	\$ 1,336
2013 – 2016	1,070
2017 and thereafter	730
	<u>3,136</u>
Less:	
Impact of discounting of pledges receivable to net present value	(276)
Allowance for uncollectible pledges	(345)
Net pledges receivable, capital campaign	<u>2,515</u>
Other pledges receivable	424
Total pledges receivable	<u>\$ 2,939</u>

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

7. Functional Expenses

The Hospital considers health care services and management and general to be its primary functional categories for purposes of expense classification. Depreciation and interest costs are included in health care services. The Hospital's operating expenses by functional classification are as follows:

	Year Ended June 30	
	2011	2010
Health care services	\$ 335,768	\$ 334,750
Management and general	31,094	28,688
	<u>\$ 366,862</u>	<u>\$ 363,438</u>

8. Estimated Self-Insured Liability Claims and Workers' Compensation

The Hospital is self-insured for professional liability claims up to an annual limit of \$2,000 per claim and \$8,000 in aggregate. The Hospital carries an excess liability insurance policy for claims above these limits. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. The Hospital has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. The accrued self-insured professional liability losses have been discounted at 4% and in management's opinion provide an adequate reserve for loss contingencies. As of June 30, 2011 and 2010, respectively, \$10,953 and \$8,326 have been reserved for professional liability loss contingencies.

The Hospital established a trust for the purpose of setting aside assets based on actuarial funding recommendations. Under the trust agreement, the trust assets can only be used for payment of malpractice losses, related expenses and the cost of administering the trust. The assets of the trust are reported in assets limited as to use; income from trust assets, administrative costs and the Hospital's annual estimate of malpractice losses are reported in the statements of operations and changes in net assets.

The Hospital is self-insured for general liability claims beginning March 1, 2004 up to an annual limit of \$1,000 per claim and \$3,000 in aggregate. The Hospital carries an excess liability insurance policy for claims above these limits.

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

8. Estimated Self-Insured Liability Claims and Workers' Compensation (continued)

The Hospital is also self-insured for workers' compensation up to an annual limit of \$400 per occurrence. The Hospital carries an excess liability insurance policy for workers' compensation claims above this limit. As of June 30, 2011 and 2010, respectively, \$2,592 and \$2,410 have been reserved for workers' compensation loss contingencies.

9. Investments

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Fair values of all investments, including short-term investments, long-term investments, board-designated investments, and assets limited to use are based on quoted market prices and/or prices obtained from a third party using other market data for the same or comparable instruments and transactions in establishing the prices. Assets limited as to use also include the beneficial interest in the Foundation's temporarily restricted net assets which primarily consist of pledges receivable. Certain long-term pledges receivable have been discounted.

Fair value of investments and certain assets limited as to use held by the Hospital is summarized as follows:

	June 30	
	2011	2010
Investments:		
Cash and cash equivalents	\$ 14,368	\$ 6,988
U.S. treasury securities	20,118	14,651
Corporate bonds	37,067	36,143
Equity securities	111,410	79,025
Government sponsored mortgage-backed securities	19,013	20,097
Other (including pledges receivable held at the Foundation)	4,169	4,127
Total	<u>\$ 206,145</u>	<u>\$ 161,031</u>

Peninsula Regional Medical Center

Notes to Financial Statements (continued) (In Thousands)

9. Investments (continued)

ASC No. 320, *Investments – Debt and Equity Securities*, provides guidance on the recognition and presentation of other-than-temporary impairments. In addition, additional disclosures are required related to other-than-temporary impairments. Under this revised guidance, if a debt security is in an unrealized loss position and the Hospital has the intent to sell the debt security, or it is more likely than not that the Hospital will have to sell the debt security before recovery of its amortized cost basis, the decline in value is deemed to be other-than-temporary and is recorded to other-than-temporary impairment losses recognized in the performance indicator in the statements of operations. For impaired debt securities that the Hospital does not intend to sell or it is more likely than not that the Hospital will not have to sell such securities, but the Hospital expects that it will not fully recover the amortized cost basis, the credit component of the other-than-temporary impairment is recognized in other-than-temporary impairment losses recognized in the performance indicator in the statements of operations and the non-credit component of the other-than-temporary impairment is recognized as a change in unrestricted net assets.

The credit component of an other-than-temporary impairment is determined by comparing the net present value of projected future cash flows with the amortized cost basis of the debt security. The net present value is calculated by discounting the best estimate of projected future cash flows at the effective interest rate implicit in the debt security at the date of acquisition. Cash flow estimates are driven by assumptions regarding probability of default, including changes in credit ratings, and estimates regarding timing and amount of recoveries associated with a default. Furthermore, unrealized losses entirely caused by non-credit-related factors related to debt securities for which the Hospital expects to fully recover the amortized cost basis continue to be recognized as an unrealized loss on investments within the changes in unrestricted net assets.

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

9. Investments (continued)

The following table shows the gross unrealized losses and fair value of the Hospital's investments with unrealized losses that are not deemed to be other than temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2011 and 2010:

	Fair Value < 1 year	Unrealized Losses < 1 year	Fair Value > 1 year	Unrealized Losses > 1 year	Total Unrealized Losses
June 30, 2011					
Government sponsored mortgage-backed securities	\$ 10,647	\$ 111	\$ -	\$ -	\$ 111
Corporate debt securities	6,429	86	-	-	86
Equity securities	14,395	922	1,260	146	1,068
Total investments	<u>\$ 31,471</u>	<u>\$ 1,119</u>	<u>\$ 1,260</u>	<u>\$ 146</u>	<u>\$ 1,265</u>
June 30, 2010					
Government sponsored mortgage-backed securities	\$ 1,407	\$ 17	\$ -	\$ -	\$ 17
Corporate debt securities	2,608	134	-	-	134
Equity securities	30,773	2,884	233	18	2,902
Total investments	<u>\$ 34,788</u>	<u>\$ 3,035</u>	<u>\$ 233</u>	<u>\$ 18</u>	<u>\$ 3,053</u>

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

10. Fair Value Measurements

ASC No. 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC No. 820 are described below:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.
- Level 2 – Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability; and
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Peninsula Regional Medical Center

Notes to Financial Statements (continued)
(In Thousands)

10. Fair Value Measurements (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Hospital believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the Hospital's assets and liabilities measured at fair value, aggregated by level in the fair value hierarchy within which those measurements fall:

Assets at Fair Value as of June 30, 2011				
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 14,368	\$ —	\$ —	\$ 14,368
U.S. treasury securities	20,118	—	—	20,118
Corporate debt securities	—	37,067	—	37,067
Mortgage-backed securities	—	19,013	—	19,013
Publically traded equity securities	111,010	400	—	111,410
Other	873	357	2,939	4,169
Total assets	\$ 146,369	\$ 56,837	\$ 2,939	\$ 206,145

Assets at Fair Value as of June 30, 2010				
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 6,988	\$ —	\$ —	\$ 6,988
U.S. treasury securities	14,651	—	—	14,651
Corporate debt securities	—	36,143	—	36,143
Mortgage-backed securities	—	20,097	—	20,097
Publically traded equity securities	78,889	136	—	79,025
Other	940	—	3,187	4,127
Total assets	\$ 101,468	\$ 56,376	\$ 3,187	\$ 161,031
Liabilities				
Interest rate swap liabilities	\$ —	\$ (2,075)	\$ —	\$ (2,075)
Total liabilities	\$ —	\$ (2,075)	\$ —	\$ (2,075)

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

10. Fair Value Measurements (continued)

The fair values of securities are 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 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.

Long-term pledges receivable, which are measured at fair value on a non-recurring basis, are discounted to net present value upon receipt using an appropriate risk-free discount rate based on the term of the receivable. Pledges receivable are recorded net of an allowance for uncollectible pledges. The following table provides a reconciliation of the beginning and ending balances of pledges receivable at fair value that used significant unobservable inputs (Level 3):

	Year Ended June 30	
	2011	2010
Pledges receivable		
Balance at July 1	\$ 3,187	\$ 4,483
New pledges	482	—
Collections on pledges	(667)	(1,591)
Write-off of pledges	(133)	(45)
Changes in reserves	70	340
Balance at June 30	\$ 2,939	\$ 3,187

11. Pension Plan

The Hospital has a cash balance-type defined benefit pension plan covering substantially all of its employees. The Plan benefits are based on years of service and the employees' compensation during the last five years of covered employment. The Hospital's funding policy is to make sufficient contributions to the Plan to comply with the minimum funding provisions of the Employee Retirement Income Security Act. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

The Peninsula Regional Medical Center PensionPlus Plan (the Plan) provides annual allocations to a participant's hypothetical account. When a participant retires, the participant has the choice to receive a lump-sum distribution equal to the value of the hypothetical account or to receive an annuity based on the value of the hypothetical account.

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

11. Pension Plan (continued)

Prior to January 1, 2009, the Plan provided three different allocations: (i) a service-related allocation, (ii) an age-related allocation and (iii) a matching allocation. Both the service-related allocation and the age-related allocation were determined by multiplying a participant's annual compensation by a certain percentage. The matching allocation operated to provide an annual allocation in the Plan based on the participant's contribution to the Hospital's 403(b) Plan.

The IRS issued new regulations that were effective as of January 1, 2009. The new regulations prohibited a pension plan from providing a matching allocation based on a participant's contributions to a different plan. The Plan provided a matching allocation based on a participant's contribution to a 403(b) Plan. In order to comply with the new tax law requirements, the Plan was amended effective as of December 31, 2008, to eliminate future matching allocations in the Plan. At the same time, the Hospital adopted a 403(b) plan effective as of January 1, 2009 and provided a replacement matching contribution in the 403(b) plan.

The assets of the Plan are available to pay the benefits of eligible employees of all participating entities. The Plan had a prepaid asset of \$2,016 and an unfunded liability of \$14,610 as of June 30, 2011 and 2010, respectively.

Peninsula Regional Medical Center

Notes to Financial Statements (continued)
(In Thousands)

11. Pension Plan (continued)

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:

	2011	2010
Accumulated benefit obligation	\$ 79,466	\$ 73,326
Projected benefit obligation, beginning of year	\$ 80,834	\$ 72,140
Service cost	3,825	3,450
Interest cost	4,444	4,397
Actuarial (gain) loss	(1,133)	3,947
Benefits paid	(2,739)	(3,100)
Projected benefit obligation, end of year	85,231	80,834
Fair value of plan assets, beginning of year	66,224	55,926
Actual gain on plan assets	12,762	5,398
Employer contributions	11,000	8,000
Benefits paid	(2,739)	(3,100)
Fair value of plan assets, end of year	87,247	66,224
Fair value of plan assets greater than/(less than) projected benefit obligation	2,016	(14,610)
Prepaid/(Accrued) pension cost recorded in the balance sheets	\$ 2,016	\$ (14,610)

Components of net periodic benefit cost are as follows:

	Year Ended June 30	
	2011	2010
Service cost	\$ 3,825	\$ 3,450
Interest cost	4,444	4,397
Expected return on plan assets	(6,214)	(5,543)
Amortization of prior service credit	(126)	(126)
Recognized net actuarial loss	2,661	2,598
Net periodic benefit cost	\$ 4,590	\$ 4,776

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

11. Pension Plan (continued)

Net amount recognized in unrestricted net assets that have not been recognized in net periodic benefit cost are as follows:

	<u>2011</u>	<u>2010</u>
Net actuarial loss	\$ 30,341	\$ 40,682
Prior service credit	(692)	(818)
Total recognized in unrestricted net assets	<u>\$ 29,649</u>	<u>\$ 39,864</u>

The estimated net actuarial loss and prior service credit for the Plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are \$2,106 and \$(126), respectively.

Weighted average assumptions used to determine projected benefit obligations and net periodic benefit costs at June 30 were as follows:

Projected benefit obligation	<u>2011</u>	<u>2010</u>
Discount rate	6.00%	5.60%
Rates of increase in compensation levels	3.70	5.00
Net periodic benefit cost	<u>2011</u>	<u>2010</u>
Discount rate	5.60%	6.31%
Rates of increase in compensation levels	5.00	5.00
Expected long-term rate of return on assets	7.75	8.00

The defined benefit pension plan asset allocation as of the measurement date (June 30) and the target asset allocation, presented as a percentage of total plan assets, were as follows:

	<u>2011</u>	<u>2010</u>	<u>Target Allocation</u>
Debt securities	30%	36%	25% – 40%
Equity securities	65%	59	45% – 75%
Cash and cash equivalents	5%	5	1% – 10%
Total	<u>100%</u>	<u>100%</u>	

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

11. Pension Plan (continued)

The Hospital's defined benefit plan invests in a diversified mix of traditional asset classes. Investments in U.S. equity securities and fixed income securities are made to maximize long-term results while recognizing the need for adequate liquidity to meet ongoing benefit and administrative obligations. Risk tolerance of unexpected investment and actuarial outcomes is continually evaluated by understanding the pension plan's liability characteristics. This is performed through forecasting and assessing ranges of investment outcomes over short- and long-term horizons, and by assessing the Hospital's financial condition and its future potential obligations from both the pension and general operational requirements. Complementary investment styles, such as growth and value equity investing techniques, are utilized by the Hospital's investment advisors to further improve portfolio and operational risk characteristics. Equity investments, both active and passively managed, are used primarily to increase overall plan returns. Fixed income investments provide diversification benefits and liability hedging attributes that are desirable, especially in falling interest rate environments.

Asset allocations and investment performance are formally reviewed at regularly scheduled meetings of the Hospital's Financial Resources Committee.

The overall rate of expected return on assets assumption was based on historical returns, with adjustments made to reflect expectations of future returns. The extent to which the future expectations were recognized included the target rates of return for the future, which have not historically changed.

The fair value of the Hospital's pension plan assets as of June 30, 2011 and June 30, 2010, by asset category (see Note 10, *Fair Value Measurements*, for a description of the asset categories) are as follows:

June 30, 2011	Level 1	Level 2	Level 3	Total
Assets				
Investments at fair value:				
Cash and cash equivalents	\$ 864	\$ -	\$ -	\$ 864
U.S. Treasuries	5,396	-	-	5,396
United States government and agency obligations	-	4,792	-	4,792
Corporate debt securities	-	15,461	-	15,461
Money market funds	4,269	-	-	4,269
Publicly traded equity securities	55,929	182	-	56,111
Other	354	-	-	354
Total investments	\$ 66,812	\$ 20,435	\$ -	\$ 87,247

Peninsula Regional Medical Center

Notes to Financial Statements (continued)
(In Thousands)

11. Pension Plan (continued)

June 30, 2010	Level 1	Level 2	Level 3	Total
Assets				
Investments at fair value:				
Cash and cash equivalents	\$ 349	\$ -	\$ -	\$ 349
United States government and agency obligations	5,223	3,560	-	8,783
Corporate debt securities	-	14,922	-	14,922
Money market funds	3,540	-	-	3,540
Publically traded equity securities	38,630	-	-	38,630
Total investments	\$ 47,742	\$ 18,482	\$ -	\$ 66,224

The following methods and assumptions were used to estimate fair value of each class of financial instrument:

United States government and agency obligations: the fair value is determined by an active price for an identical security in an observable market.

Corporate debt securities: the fair value is estimated using quoted prices for similar assets in active markets or quoted prices for identical or similar assets in non-active markets (few transactions, limited information, non-current prices, and high variability over time).

Money market funds: the carrying value of these money market funds approximates fair value as the maturities are less than three months.

Publically traded equity securities: the fair value is determined by market quotes for an identical security in an observable market.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Hospital believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

11. Pension Plan (continued)

Cash Flows

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows for the years ending June 30:

2012	\$	7,449
2013		7,784
2014		8,015
2015		8,032
2016		7,907
2017 – 2021		37,781

The Hospital intends to make voluntary contributions to the defined benefit pension plan of \$4,500 through June 30, 2012. This funding level exceeds any regulatory requirements for 2011.

12. Commitments and Contingencies

Agreement in Principle with the Office of Inspector General

The Hospital received several subpoenas from the Office of Inspector General of the U.S. Department of Health and Human Services (“OIG”), requiring the production of certain documents related to claims for physician health care services provided by a former Medical Staff Member. These subpoenas were issued in connection with a civil investigation being conducted by the U.S. Attorney’s Office for the District of Maryland. In January 2011, the Hospital reached a tentative “Agreement in Principle”, which was ultimately approved by the U.S. Department of Justice, the OIG, the Office of Personnel Management (OPM), and the state of Maryland in August 2011, to resolve all remaining potential civil claims arising out of the Hospital’s medical services to patients of the physician. The Hospital reached this agreement without admitting liability in order to avoid the expense and uncertainty of litigation and to allow the Hospital to move forward. In this regard and consistent with the settlement, an amount of \$1.8 million was paid in June 2011 and recorded as an other expense in the accompanying 2011 statement of operations and changes in net assets. The settlement also includes a five year Corporate Integrity Agreement that will require the Hospital to establish and/or enhance various compliance processes and also have several independent peer review reports completed on an annual basis.

Peninsula Regional Medical Center

Notes to Financial Statements (continued) (In Thousands)

12. Commitments and Contingencies (continued)

Other

The Hospital has been named as a defendant in various lawsuits arising from the performance of its normal activities. In the opinion of the Hospital's management, after discussion with legal counsel, the amount, if any, of the Hospital's ultimate liability under these lawsuits will not have a material adverse effect on the financial position of the Hospital.

A portion of the Hospital's revenues is received from health maintenance organizations and other managed care payors. Managed care payors generally use case management activities to control utilization. These payors also have the ability to select providers offering the most cost-effective care. Management does not believe that the organization has undue exposure to any one managed care payor.

The Hospital'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. The resolution of these matters, if any, often is not finalized until subsequent to the period during which the services were rendered.

13. Maryland Health Services Cost Review Commission

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

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 the Centers for Medicare and Medicaid Services 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 and will continue as long as the rate of increase for costs per hospital inpatient admission in Maryland is below the national average. Management expects this agreement will remain in effect at least through June 30, 2012.

Peninsula Regional Medical Center

Notes to Financial Statements (continued)

(In Thousands)

13. Maryland Health Services Cost Review Commission (continued)

The Commission and the Hospital entered into an agreement that is based on a rate methodology for those hospital service centers that provide inpatient services. Under this methodology, a target average charge per case is established for the Hospital based on past actual charges and case mix indices. The actual average charge per case is compared with the target average charge per case, and to the extent that the actual average exceeds or is less than the target, the difference adjusted for applicable penalties will reduce or increase the approved target for future rate years. For the year ended June 30, 2011, the Hospital was in compliance with its average charge per case target.

The Commission's rate-setting methodology for hospital service centers that provide both inpatient and outpatient services or only outpatient services consists of establishing an acceptable unit rate for defined inpatient and outpatient service centers within the hospital. 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.

Under the Commission's rate methodology for certain outpatient services, a target average charge per visit was established for the Hospital based on past actual charges and case mix indices. The actual average charge per visit is compared with the target average charge per visit, and to the extent that the actual average exceeds or is less than the target, it will reduce or increase the approved rates for future years. Management believes that this methodology will not have a significant impact on the Hospital in future years.

The timing of the Commission's rate adjustments for the Hospital 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 Hospital's policy is to record revenue based on actual charges for services to patients in the year in which the services are performed. The Hospital recognizes unbilled revenue for in-house patients.

14. Subsequent Events

The Hospital has evaluated subsequent events through September 16, 2011, the date the financial statements were issued.

Other Financial Information

**Report of Independent Auditors
on Other Financial Information**

Board of Trustees
Peninsula Regional Medical Center

Our audit was conducted for the purpose of forming an opinion on the June 30, 2011 financial statements taken as a whole. The June 30, 2011 supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the June 30, 2011 financial statements and, in our opinion, is fairly stated in all material respects in relation to the June 30, 2011 financial statements taken as a whole.

Ernst & Young LLP

September 16, 2011

Peninsula Regional Medical Center

Summary of Operations
(In Thousands)

	Year Ended June 30				
	2011	2010	2009	2008	2007
Gross patient revenue	\$ 457,035	\$ 426,582	\$ 418,478	\$ 399,948	\$ 361,938
Deductions from revenue	76,983	58,173	50,440	45,406	41,700
Net patient service revenue	380,052	368,409	368,038	354,542	320,238
Other operating revenue	2,357	2,059	1,976	1,080	1,362
	382,409	370,468	370,014	355,622	321,600
Operating expenses	366,862	363,438	357,978	327,422	300,046
Income from operations	15,547	7,030	12,036	28,200	21,554
Nonoperating income (expense):					
Nonoperating income (expense)	12,164	10,304	(14,533)	12,033	7,419
Basis swap income (loss)	3,128	1,753	(3,344)	(1,927)	3,944
	15,292	12,057	(17,877)	10,106	11,363
Excess (deficit) of unrestricted revenue and other support over expenses	\$ 30,839	\$ 19,087	\$ (5,841)	\$ 38,306	\$ 32,917

Peninsula Regional Medical Center

Gross Patient Revenue
(In Thousands)

	Year Ended June 30	
	2011	2010
Total gross patient revenue:		
Routine care:		
Daily hospital care	\$ 115,624	\$ 101,875
Daily hospital care – nursery	6,550	5,231
Emergency services	21,364	25,340
Admissions charge	3,393	3,487
	<u>146,931</u>	<u>135,933</u>
Professional services:		
Pathology and clinical laboratory	32,298	31,748
Operating room	30,546	33,166
Pharmacy	50,150	49,468
Radiology:		
Diagnostic	4,738	5,181
Nuclear medicine	2,293	2,728
Special procedures	3,013	3,106
Ultrasound lab	3,077	3,204
C/T scanning and magnetic resonance imaging	7,596	8,434
Vascular lab	3,492	3,704
Radiation oncology	14,085	10,648
Medical oncology	6,232	6,194
Respiratory care and pulmonary function	9,811	8,958
Blood bank	1,959	2,015
Medical and surgical supplies	57,004	61,796
Delivery service	6,536	6,266
Anesthesiology	3,257	2,637
Electrocardiogram	429	468
Cardiac laboratory	12,652	13,383
Intravenous solutions	688	723
Lithotripsy	44	43
Physical, speech and occupational therapy	4,724	5,594
Neurological diagnostics	1,974	1,859
Cardiac rehabilitation	1,391	1,078
Family practice, clinic and diagnostic centers	17,650	14,863
Specialty practices	19,627	736
Transitional care	7,621	7,856
Recovery care	6,756	4,793
Observation service	461	—
	<u>310,104</u>	<u>290,649</u>
Gross patient revenue	<u>\$ 457,035</u>	<u>\$ 426,582</u>

Peninsula Regional Medical Center

Operating Expenses (In Thousands)

	Year Ended June 30		Increase
	2011	2010	(Decrease)
Nursing services	\$ 94,459	\$ 94,606	\$ (147)
Buildings and grounds	14,545	14,240	305
Laboratory	13,844	13,599	245
Materials management	7,184	7,768	(584)
Administration	26,020	22,279	3,741
Food services	4,066	3,907	159
Financial affairs and information systems	17,571	17,637	(66)
Respiratory services	5,325	5,372	(47)
Pharmacy	32,924	31,089	1,835
Radiology	14,369	14,104	265
Radiation oncology	4,706	4,339	367
Medical oncology	6,338	6,567	(229)
Physician services	7,518	11,477	(3,959)
Electrocardiology, neurological diagnostic, cardiac catheterization laboratory, family practice, lithotripsy, diagnostic and breast care centers	35,971	32,724	3,247
Physical, speech and occupational therapy	3,101	2,915	186
Admitting and registration	2,318	2,225	93
Education and training	1,258	1,312	(54)
Transitional care	2,241	2,239	2
Employee benefits, child care (exclusive of FICA)	27,274	29,328	(2,054)
Bad debts	17,411	17,977	(566)
Depreciation	21,829	20,835	994
Interest	6,544	6,853	(309)
Amortization of financing costs and deferred charge for retirement of debt	46	46	-
	\$ 366,862	\$ 363,438	\$ 3,424

