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Form **990**

Department of the Treasury
Internal Revenue Service

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)

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

OMB No 1545-0047

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 01-01-2011 and ending 12-31-2011

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
GROUP HEALTH COOPERATIVE

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
320 WESTLAKE AVE N

City or town, state or country, and ZIP + 4
SEATTLE, WA 981095233

D Employer identification number
91-0511770

E Telephone number
(206)448-5146

G Gross receipts $ 4,194,769,971

F Name and address of principal officer
Scott Armstrong
320 Westlake Ave N STE 100
Seattle, WA 981095233

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ WWW GHC ORG

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1945

M State of legal domicile WA

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities
TO PROVIDE COMPREHENSIVE, PREVENTION-ORIENTED HEALTH CARE SERVICES TO ITS ENROLLEES AND OTHER PATIENTS IN A MANNER THAT REDUCES COST AS A BARRIER TO CARE

2 Check this box ▶☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

3	Number of voting members of the governing body (Part VI, line 1a)	3	11
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	11
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	9,361
6	Total number of volunteers (estimate if necessary)	6	451
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	1,488,788
b	Net unrelated business taxable income from Form 990-T, line 34	7b	-127,039

			Prior Year	Current Year
Revenue	8	Contributions and grants (Part VIII, line 1h)	41,172,623	44,456,337
	9	Program service revenue (Part VIII, line 2g)	2,643,644,055	2,891,301,743
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	45,787,560	72,411,076
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	76,852,387	90,738,959
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	2,807,456,625	3,098,908,115
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	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)	588,445,825	624,072,202
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	2,242,331,298	2,487,454,099
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	2,830,777,123	3,111,526,301
	19	Revenue less expenses Subtract line 18 from line 12	-23,320,498	-12,618,186

			Beginning of Current Year	End of Year
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	1,559,175,867	1,665,696,117
	21	Total liabilities (Part X, line 26)	740,164,449	982,361,157
	22	Net assets or fund balances Subtract line 21 from line 20	819,011,418	683,334,960

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 2012-11-08

▶ Breton C Myers Assistant Treasurer
Type or print name and title

Paid Preparer's Use Only

Preparer's signature ▶	Date	Check if self-employed ▶ ☐	Preparer's taxpayer identification number (see instructions)
Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ KPMG LLP 1918 EIGHTH AVENUE SUITE 2900 SEATTLE, WA 98101			EIN ▶ Phone no ▶ (206) 913-4492

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

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

GROUP HEALTH COOPERATIVE ("GROUP HEALTH") IS ONE OF THE NATION'S LARGEST CONSUMER GOVERNED HEALTH CARE ORGANIZATIONS GROUP HEALTH IS GOVERNED BY AN INDEPENDENT BOARD OF TRUSTEES COMPRISED OF 11 CONSUMERS ELECTED BY GROUP HEALTH'S VOTING MEMBERSHIP ANY PERSON 18 YEARS AND OLDER WHO IS ENROLLED IN A PREPAID HEALTH PLAN OFFERED BY GROUP HEALTH OR A DESIGNATED AFFILIATE OR A SUBSIDIARY ("ENROLLEE") IS ELIGIBLE TO BE A VOTING MEMBER GROUP HEALTH'S PRIMARY EXEMPT PURPOSE IS TO PROVIDE COMPREHENSIVE, PREVENTION-ORIENTED HEALTH CARE SERVICES TO ITS ENROLLEES AND OTHER PATIENTS IN A MANNER THAT REDUCES COST AS A BARRIER TO CARE, AND TO PROVIDE HEALTH-RELATED EDUCATION AND RESEARCH ACTIVITIES THAT BENEFIT THE BROADER COMMUNITY TO FULFILL THIS PURPOSE, GROUP HEALTH PROVIDES OUTPATIENT PRIMARY AND SPECIALTY CARE AS WELL AS INPATIENT ACUTE AND SUB-ACUTE CARE, THROUGH THE SERVICES OF SALARIED PHYSICIANS, NURSES, AND OTHER HEALTH CARE PRACTITIONERS THE SALARIED PHYSICIANS ARE EMPLOYED BY GROUP H

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

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

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

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations 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 $ 2,391,984,316 including grants of $) (Revenue $ 2,892,616,434)

Group Health Cooperative ("Group Health") provided health care coverage and/or services to commercial group, Medicare, Medicaid, Basic Health Plan, and individual enrollees in Washington and North Idaho Many Medicare and Medicaid patients receive such services under capitation contracts between Group Health and government agencies

4b (Code) (Expenses $ 112,185,523 including grants of $ 0) (Revenue $ 71,163,085)

CARE AND COVERAGE TO PEOPLE IN NEED Health care coverage and services to patients enrolled in government programs Unreimbursed care for individual patients in need Urgent and emergency care Partnering with safety-net organizations

4c (Code) (Expenses $ 56,719,023 including grants of $ 0) (Revenue $ 1,416,489)

HEALTH RESEARCH AND EDUCATION Research and evidence-based care Professional education activities Consumer health education

(Code) (Expenses $ 1,368,742 including grants of $ 0) (Revenue $ 0)

Healthy Communities

4d Other program services (Describe in Schedule O)

(Expenses $ 1,368,742 including grants of $ 0) (Revenue $ 0)

4e **Total program service expenses** ▶$ 2,562,257,604

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b	Yes	
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part I*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Part II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Part III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** All Form 990 filers that operated one or more hospitals must attach audited financial statements	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

			Yes	No
21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21		No
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25*	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? *If "Yes," complete Schedule L, Part IV*	28c		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a	Yes	
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	35b	Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	38	Yes	

Part V **Statements Regarding Other IRS Filings and Tax Compliance**

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

					Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	**1a**	6,599			
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	**1b**	0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			**1c**		
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	9,361			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			**2b**	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			**3a**	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			**3b**	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?			**4a**		No
b	If "Yes," enter the name of the foreign country ▶ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			**5a**		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			**5b**		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			**5c**		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			**6a**		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			**6b**		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			**7a**		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			**7b**		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			**7c**		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	**7d**				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			**7e**		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			**7f**		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			**7g**		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			**7h**		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			**8**		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			**9a**		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			**9b**		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	**10a**				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	**10b**				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	**11a**				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	**11b**				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			**12a**		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	**12b**				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state			**13a**		
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	**13b**				
c	Enter the aggregate amount of reserves on hand	**13c**				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			**14a**		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			**14b**		

Part VI **Governance, Management, and Disclosure** For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 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 . . . . ☑

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year 1a 11				
b	Enter the number of voting members included in line 1a, above, who are independent 1b 11				
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?		2		No
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?		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		5		No
6	Did the organization have members or stockholders?		6	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
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		9		No

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

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review the Form 990			
12a	Did the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	Yes	
b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes	
13	Did the organization have a written whistleblower policy?	13	Yes	
14	Did the organization have a written document retention and destruction policy?	14	Yes	
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?			
a	The organization's CEO, Executive Director, or top management official	15a	Yes	
b	Other officers or key employees of the organization	15b	Yes	
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)			
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?	16a	Yes	
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b	Yes	

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you made these available Check all that apply

☑ Own website ☐ Another's website ☑ Upon request

19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public See Additional Data Table

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶

MARTIN R DOPPS
320 WESTLAKE AVE N SUITE 100
SEATTLE, WA 981095233
(206) 448-5146

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, and **current** key employees 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, or 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 organizations compensated any current or former officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee): Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(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
(1) Rosemary Daszkiewicz Trustee-Chair	6 5	X		X				26,290	500	0
(2) Porsche Everson Trustee-Vice Chair	6 5	X		X				21,540	250	0
(3) ChangMook Sohn Trustee	5 5	X						17,790	500	0
(4) Ira M Fielding Trustee	5 5	X						14,875	500	0
(5) Tracy E Garland Trustee	5 5	X						17,790	500	0
(6) Harry Harrison Jr Trustee	5 5	X						17,790	500	0
(7) Robert J Margulis Trustee	5 5	X						17,790	500	0
(8) Jennifer A Joly Trustee	5 5	X						17,790	500	0
(9) Dorothy Ruzicki Trustee	5 5	X						17,790	250	0
(10) Robert Watt Trustee	5 5	X						11,415	0	0
(11) Susan J Byington Trustee	5 5	X						12,750	250	0
(12) Scott E Armstrong President & CEO	40 0			X				1,206,881	0	168,116
(13) Richard E Magnuson Treasurer, EVP, CFO	40 0			X				598,661	0	40,206
(14) Rick D Woods Secretary/EVP, General Counsel	40 0			X				538,092	0	164,385
(15) Pamela A MacEwan Asst Secretary/EVP, Pub Affrs	40 0			X				360,661	0	50,018
(16) Breton C Myers Assistant Treasurer	40 0			X				245,773	0	33,842
(17) Michael Erikson VP, Primary Care Service Admin	40 0				X			343,842	0	40,031

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) Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(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
(18) Robert O'Brien EVP, Health Plan Division	40 0				X			727,673	0	43,696
(19) Cynthia Johnson EVP, HR	40 0				X			417,109	0	46,962
(20) Randy Barker VP, Apple Division Admin	40 0				X			269,983	0	44,389
(21) Joel Suelzle VP, Hlth Plan Administration	40 0					X		365,744	0	153,874
(22) Scott Boyd VP, Finance	40 0					X		314,803	0	57,683
(23) Eric Larson VP, Group Health Research Inst	40 0					X		337,911	0	51,356
(24) Linda MacMaster VP Marketing	40 0					X		300,668	0	35,087
(25) Laura Rehrmann VP, Community Responsibility	20 0					X		317,907		34,076
(26) Barbara Belt Lloyd Controller & Exec Dir Fin Ops	0 0						X	218,751		180,579
(27) James Herford EVP, Strategic Svcs & Quality	0 0						X	380,500	0	31,733
(28) Brian Harris VP, Network Svc & Care Mgmt	0 0						X	285,621		157,428

		(D)	(E)	(F)
1b	**Sub-Total** . . . . ▶			
c	**Total from continuation sheets to Part VII, Section A** . . . . ▶			
d	**Total (add lines 1b and 1c)** . . . . ▶	7,424,190	4,250	1,333,461

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶985

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
VIRGINIA MASON MEDICAL CENTER PO BOX 91046 SEATTLE, WA 98111	HOSPITAL SERVICES	95,309,107
ST JOSEPH MEDICAL CENTER PO Box 34936 SEATTLE, WA 98124	HOSPITAL SERVICES	74,232,771
OVERLAKE HOSPITAL 1035 116TH AVE NE BELLEVUE, WA 98004	HOSPITAL SERVICES	62,459,082
PROVIDENCE HEALTH SERVICES-W PO BOX 34954 SEATTLE, WA 981241954	HOSPITAL SERVICES	57,547,960
GROUP HEALTH PERMANENTE 320 WESTLAKE AVE N STE 100 SEATTLE, WA 981095233	MEDICAL PROFESSIONAL	321,511,428

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶571

Part VIII Statement of Revenue

Section	Line	Description			(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	1,277,545				
	e	Government grants (contributions)	1e	39,217,121				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	3,961,671				
	g	Noncash contributions included in lines 1a-1f $ 19,200						
	h	**Total.** Add lines 1a-1f			44,456,337			
Program Service Revenue			Business Code					
	2a	MEDICARE/MEDICAID PAYMENTS	900099		773,328,731	773,328,731		
	b	FEES AND CONTRACTS FROM GOV'T AGENCIES	900099		705,864,758	705,864,758		
	c	MEMBER DUES	900099		543,360,211	543,360,211		
	d	CAPITATION REVENUE	900099		584,672,745	584,672,745		
	e	NON-COVERED ENROLLEE SVC	900099		126,399,537	126,399,537		
	f	All other program service revenue			157,675,761	157,675,761		
	g	**Total.** Add lines 2a–2f			2,891,301,743			
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)			32,072,408			32,072,408
	4	Income from investment of tax-exempt bond proceeds			0			
	5	Royalties			0			
			(i) Real	(ii) Personal				
	6a	Gross rents						
	b	Less rental expenses						
	c	Rental income or (loss)						
	d	Net rental income or (loss)						
			(i) Securities	(ii) Other				
	7a	Gross amount from sales of assets other than inventory	1,136,196,768	3,756				
	b	Less cost or other basis and sales expenses	1,095,856,510	5,346				
	c	Gain or (loss)	40,340,258	-1,590				
	d	Net gain or (loss)			40,338,668			40,338,668
	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	ADMIN CONTRACT	561000		84,832,978	84,832,978		
	b	SALES TO MEMBERS	446199		4,222,239			4,222,239
	c	GROUP HEALTH RESEARCH INSTITUTE	541700		1,314,691		1,314,691	
	d	All other revenue			369,051	194,954	174,097	
	e	**Total.** Add lines 11a–11d			90,738,959			
	12	**Total revenue.** See Instructions			3,098,908,115	2,976,329,675	1,488,788	76,633,315

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)
Check if Schedule O contains a response to any question in this Part IX . . . . ☐

	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 United States See Part IV, line 21	0			
2	Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States 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	5,543,501		5,543,501	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	511,488,000	304,260,726	207,227,274	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	47,004,185	27,960,631	19,043,554	
9	Other employee benefits	14,349,210	8,535,686	5,813,524	
10	Payroll taxes	45,687,306	27,186,072	18,501,234	
11	Fees for services (non-employees)				
a	Management	0			
b	Legal	1,208,000		1,208,000	
c	Accounting	921,042		921,042	
d	Lobbying	614,296		614,296	
e	Professional fundraising *See Part IV, line 17* . .	0			
f	Investment management fees	1,151,156		1,151,156	
g	Other	1,945,235,971	1,848,948,974	96,286,997	
12	Advertising and promotion	4,616,720	159,065	4,457,655	
13	Office expenses	306,688,726	280,943,977	25,744,749	
14	Information technology	22,703,037	198,601	22,504,436	
15	Royalties . .	0			
16	Occupancy	49,199,779	17,756,814	31,442,965	
17	Travel	2,631,601	1,692,205	939,396	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	7,186,255	1,776,317	5,409,938	
20	Interest	3,156	3,156		
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	56,808,111	30,100,990	26,707,121	
23	Insurance	7,932,561	7,438,402	494,159	
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	PREMIUM AND BUSINESS TAXES	48,173,460	1,078,502	47,094,958	
b	MISCELLANEOUS	32,380,228	4,217,486	28,162,742	
c					
d					
e					
f	All other expenses				
25	**Total functional expenses.** Add lines 1 through 24f	3,111,526,301	2,562,257,604	549,268,697	0
26	**Joint costs.** Check here ▶ ☐ 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	-325,589	1	31,201,904
	2	Savings and temporary cash investments	133,415,882	2	325,819,160
	3	Pledges and grants receivable, net	9,518,808	3	8,669,417
	4	Accounts receivable, net	89,905,186	4	109,928,540
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L	0	5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L	0	6	0
	7	Notes and loans receivable, net	0	7	2,653,418
	8	Inventories for sale or use	23,313,362	8	23,770,073
	9	Prepaid expenses and deferred charges	24,995,036	9	25,833,382
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D* — 10a: 1,069,378,237			
	b	Less accumulated depreciation — 10b: 651,418,863	420,296,715	10c	417,959,374
	11	Investments—publicly traded securities	684,912,561	11	531,100,160
	12	Investments—other securities See Part IV, line 11	113,673,525	12	123,289,077
	13	Investments—program-related See Part IV, line 11	0	13	0
	14	Intangible assets	0	14	0
	15	Other assets See Part IV, line 11	59,470,381	15	65,471,612
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)	1,559,175,867	16	1,665,696,117
Liabilities	17	Accounts payable and accrued expenses	314,843,416	17	500,454,934
	18	Grants payable	50,000	18	75,000
	19	Deferred revenue	37,154,963	19	44,130,612
	20	Tax-exempt bond liabilities	149,399,217	20	144,748,221
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*	0	21	0
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*	0	22	0
	23	Secured mortgages and notes payable to unrelated third parties	0	23	0
	24	Unsecured notes and loans payable to unrelated third parties	40,976,382	24	8,998,375
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D	197,740,471	25	283,954,015
	26	**Total liabilities.** Add lines 17 through 25	740,164,449	26	982,361,157
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☐ and complete lines 27 through 29, and lines 33 and 34.**			
	27	Unrestricted net assets		27	
	28	Temporarily restricted net assets		28	
	29	Permanently restricted net assets		29	
		Organizations that do not follow SFAS 117, check here ▶ ☑ and complete lines 30 through 34.			
	30	Capital stock or trust principal, or current funds	0	30	0
	31	Paid-in or capital surplus, or land, building or equipment fund	15,105,375	31	14,957,150
	32	Retained earnings, endowment, accumulated income, or other funds	803,906,043	32	668,377,810
	33	Total net assets or fund balances	819,011,418	33	683,334,960
	34	Total liabilities and net assets/fund balances	1,559,175,867	34	1,665,696,117

Part XI Reconcilliation 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	3,098,908,115
2	Total expenses (must equal Part IX, column (A), line 25)	2	3,111,526,301
3	Revenue less expenses Subtract line 2 from line 1	3	-12,618,186
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	819,011,418
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-123,058,272
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	683,334,960

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 ☐ Cash ☑ Accrual ☐ Other ______________ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? . .	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
c	If "Yes," to 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	2c	Yes	
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 ☐ Separate basis ☑ Consolidated basis ☐ Both consolidated and separated 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?	3a	Yes	
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits . .	3b	Yes	

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SCHEDULE A
(Form 990 or 990EZ)

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

2011

Open to Public Inspection

Name of the organization
GROUP HEALTH COOPERATIVE

Employer identification number
91-0511770

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 **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?

		Yes	No
(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 the supported organization?	**11g(i)**		
(ii) a family member of a person described in (i) above?	**11g(ii)**		
(iii) a 35% controlled entity of a person described in (i) or (ii) above?	**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	
Total									

Part II **Support Schedule for Organizations Described in IRC 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

Calendar year (or fiscal year beginning in)	**(a)** 2007	**(b)** 2008	**(c)** 2009	**(d)** 2010	**(e)** 2011	**(f)** Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public Support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in)	**(a)** 2007	**(b)** 2008	**(c)** 2009	**(d)** 2010	**(e)** 2011	**(f)** Total
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, whether or not the business is regularly carried on						
10 Other income (Explain in Part IV) 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) | 12 |

13 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f)) | 14 |

15 Public Support Percentage for 2010 Schedule A, Part II, line 14 | 15 |

16a **33 1/3% support test—2011.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶

b **33 1/3% support test—2010.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶

17a **10%-facts-and-circumstances test—2011.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶

b **10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶

18 **Private Foundation** If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions ▶

Part III **Support Schedule for Organizations Described in IRC 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

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public Support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
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 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2010 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17 Investment income percentage for **2011** (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from **2010** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2011.** 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—2010.** 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.** Supplemental Information. Complete this part to provide the explanation 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).

Facts And Circumstances Test

Explanation

Additional Data

Software ID:
Software Version:
EIN: 91-0511770
Name: GROUP HEALTH COOPERATIVE

Form 990, Special Condition Description:

Special Condition Description

Form 990, Part III - 4 Program Service Accomplishments (See the Instructions)

4d. Other program services

(Code) (Expenses $ 1,368,742 including grants of $ 0) (Revenue $ 0)
Healthy Communities

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SCHEDULE C (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2011

Open to Public Inspection

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

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

If the organization answered "Yes," 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, line 35c (Proxy Tax), then

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

Name of the organization	Employer identification number
GROUP HEALTH COOPERATIVE	91-0511770

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 funtion activities ▶ $

3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ $

4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No

5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

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

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

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

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	**(a)** Filing Organization's Totals	**(b)** Affiliated Group Totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)	811,312	
c Total lobbying expenditures (add lines 1a and 1b)	811,312	
d Other exempt purpose expenditures	3,108,698,358	
e Total exempt purpose expenditures (add lines 1c and 1d)	3,109,509,670	
f Lobbying nontaxable amount Enter the amount from the following table in both columns	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

	(a)	(b)
g Grassroots nontaxable amount (enter 25% of line 1f)	250,000	
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? ☐ **Yes** ☐ **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)** 2008	**(b)** 2009	**(c)** 2010	**(d)** 2011	**(e)** Total
2a Lobbying non-taxable amount	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
b Lobbying ceiling amount (150% of line 2a, column(e))					6,000,000
c Total lobbying expenditures	643,742	823,518	887,298	811,312	3,165,870
d Grassroots non-taxable amount	250,000	250,000	250,000	250,000	1,000,000
e Grassroots ceiling amount (150% of line 2d, column (e))					1,500,000
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)).

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

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
GROUP HEALTH COOPERATIVE

Employer identification number
91-0511770

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.

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit ☐ Yes ☐ No

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or pleasure)
☐ Preservation of an historically importantly land area
☐ Protection of natural habitat
☐ Preservation of a certified historic structure
☐ Preservation of open space

2 Complete lines 2a–2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

			Held at the End of the Year
a	Total number of conservation easements	2a	
b	Total acreage restricted by conservation easements	2b	
c	Number of conservation easements on a certified historic structure included in (a)	2c	
d	Number of conservation easements included in (c) acquired after 8/17/06	2d	

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ▶________

4 Number of states where property subject to conservation easement is located ▶________

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year ▶________

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ $ ________

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

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

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $ ________

(ii) Assets included in Form 990, Part X ▶ $ ________

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items

a Revenues included in Form 990, Part VIII, line 1 ▶ $ ________

b Assets included in Form 990, Part X ▶ $ ________

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

3 Using the organization's 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 XIV 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 XIV

Part V **Endowment Funds.** Complete if the 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					
b Contributions					
c Investment earnings or losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

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

a Board designated or quasi-endowment ▶

b Permanent endowment ▶

c Term endowment ▶

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

		Yes	No
(i) unrelated organizations	3a(i)		
(ii) related organizations	3a(ii)		
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b		

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 property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		26,553,247		26,553,247
b Buildings		576,738,468	311,802,379	264,936,088
c Leasehold improvements				
d Equipment		444,198,095	339,616,484	104,581,611
e Other		21,888,427		21,888,427
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				417,959,373

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) INVEST IN GROUP HEALTH OPTIONS	123,289,077	C
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶	123,289,077	

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
Total. *(Column (b) should 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
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . ▶	

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	0
SELF INSURANCE	60,830,378
RETIREMENT BENEFIT	158,756,242
RETIREE MEDICAL BENEFIT	44,411,000
LEASES	6,317,657
OTHER LIABILITIES	13,638,738
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	283,954,015

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 (ASC740)

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	3,098,908,115
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	3,111,526,301
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	-12,618,186
4	Net unrealized gains (losses) on investments	4	8,706,910
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-1,889,013
9	Total adjustments (net) Add lines 4 - 8	9	6,817,897
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	-5,800,289

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	3,102,389,493
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	8,706,910		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d	-1,151,155		
e	Add lines **2a** through **2d**			2e	7,555,755
3	Subtract line **2e** from line **1**			3	3,094,833,738
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			
b	Other (Describe in Part XIV)	4b	4,074,377		
c	Add lines **4a** and **4b**			4c	4,074,377
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	3,098,908,115

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

1	Total expenses and losses per audited financial statements			1	3,108,189,783
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	-1,927,063		
e	Add lines **2a** through **2d**			2e	-1,927,063
3	Subtract line **2e** from line **1**			3	3,110,116,846
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			
b	Other (Describe in Part XIV)	4b	1,409,455		
c	Add lines **4a** and **4b**			4c	1,409,455
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	3,111,526,301

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, 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

Identifier	Return Reference	Explanation
Other-Reconciliation of Change in Net Assets from Form 990 to Fin Stmts	Schedule D, Part XI, Line 8	- LOSS ON SALE OF ASSETS ($89,568) - PREMIER PURCHASING PARTNERS ($565,761) - WESTLAKE TERRY LLC ($1,233,684)
Other Revenue Included on Fin Stmt but not on Form 990	Schedule D, Part XII, Line 2d	- Investment Management Fees $1,151,155
Other Revenue included on Form 990 but not on Fin Stmts	Schedule D, Part XII, Line 4b	- Premier Purchasing Partnership K-1 $566,067 - Westlake Terry LLC K-1 $1,491,679 - BOND SWAP INTEREST $2,016,631
Other Expenses Included on Fin Stmts but not on Form 990	Schedule D, Part XIII, Line 2d	- Loss on sale of Assets $89,568 - Bond Swap Interest ($2,016,631)
Other Expenses Included on Form 990 but not on Financial Statements	Schedule D, Part XIII, Line 4b	- INVESTMENT MANAGEMENT FEES $1,151,155 - WESTLAKE TERRY LLC K-1 $257,995 - CHARITABLE CONTRIBUTIONS-PREMIER PURCHASING PARTNERS, L P K-1 $305

SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
GROUP HEALTH COOPERATIVE

Employer identification number
91-0511770

Part I Charity Care and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals ☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the charity care eligibility criteria that applies 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 *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care	3a	Yes	
	☐ 100% ☐ 150% ☑ 200% ☐ Other ______ %			
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care	3b	Yes	
	☐ 200% ☑ 250% ☐ 300% ☐ 350% ☐ 400% ☐ Other ______ %			
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 uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's policy provide free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a		No
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b		
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 eligibile for free or discounted care?	5c		
6a	Did the organization prepare a community benefit reportduring the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Charity Care and Certain Other Community Benefits at Cost

Charity Care 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 Charity care at cost (from Worksheet 1)		761	879,950		879,950	0 030 %
b Medicaid (from Worksheet 3, column a)		21,166	67,049,486	41,724,455	25,325,031	0 800 %
c Costs of other means-tested government programs (from Worksheet 3, column b)		11,161	36,515,827	25,967,000	10,548,827	0 300 %
d **Total** Charity Care and Means-Tested Government Programs		33,088	104,445,263	67,691,455	36,753,808	1 130 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)	5	20,188	816,760		816,790	
f Health professions education (from Worksheet 5)	11	603	8,553,100		8,553,100	0 300 %
g Subsidized health services (from Worksheet 6)	7	1,891	7,740,260	3,471,630	4,268,630	0 100 %
h Research (from Worksheet 7)	1		48,165,923	1,416,489	46,749,434	1 500 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)	1		9,800		9,800	
j **Total** Other Benefits	25	22,682	65,285,843	4,888,119	60,397,754	1 900 %
k **Total.** Add lines 7d and 7j	25	55,770	169,731,106	72,579,574	97,151,562	3 030 %

Part II Community Building Activities Complete this table if the organization conducted any community building activities.

		(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	1	50	460,850		460,850	
3	Community support	1		81,302		81,302	
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building						
7	Community health improvement advocacy						
8	Workforce development						
9	Other						
10	**Total**	2	50	542,152		542,152	

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

					Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?			1		No
2	Enter the amount of the organization's bad debt expense	2	11,342,541			
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care 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 as community benefit					

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	852,540
6	Enter Medicare allowable costs of care relating to payments on line 5	6	2,042,271
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-1,189,731

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

			Yes	No
9a	Did the organization have a written debt collection policy during the tax year?	9a	Yes	
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	Yes	

Part IV Management Companies and Joint Ventures (see instructions)

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

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

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

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	CAPITOL HILL MAIN BUILDING 201 16TH AVE E SEATTLE, WA 981125260	X	X							

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: CAPITOL HILL MAIN BUILDING

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 2011)			
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 question 8	1		No
If "Yes," indicate what the Needs Assessment describes (check all that apply) **a** ☐ A definition of the community served by the hospital facility **b** ☐ Demographics of the community **c** ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community **d** ☐ How data was obtained **e** ☐ The health needs of the community **f** ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups **g** ☐ The process for identifying and prioritizing community health needs and services to meet those needs **h** ☐ The process for consulting with persons representing the community's interests **i** ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs **j** ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
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		
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		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) **a** ☐ Hospital facility's website **b** ☐ Available upon request from the hospital facility **c** ☐ 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** ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community **b** ☐ Execution of the implementation strategy **c** ☐ Development of a community-wide community benefit plan for the facility **d** ☐ Participation in community-wide community benefit plan **e** ☐ Inclusion of a community benefit section in operational plans **f** ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA **g** ☐ Prioritization of health needs in the community **h** ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community **i** ☐ 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 together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

		Yes	No
10 Used FPG to determine eligibility for providing discounted care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 250 % If "No," explain in Part VI the criteria the hospital facility used			
11 Explained the basis for calculating amounts charged to patients?	**11**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level **b** ☑ Asset level **c** ☐ Medical indigency **d** ☑ Insurance status **e** ☐ Uninsured discount **f** ☑ Medicaid/Medicare **g** ☐ State regulation **h** ☐ Other (describe in Part VI)			
12 Explained the method for applying for financial assistance?	**12**	Yes	
13 Included measures to publicize the policy within the community served by the hospital facility?	**13**		
If "Yes," indicate how the hospital facility publicized the policy (check all that apply) **a** ☑ The policy was posted at all times on the hospital facility's web site **b** ☑ The policy was attached to all billing invoices **c** ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms **d** ☑ The policy was posted in the hospital facility's admissions offices **e** ☐ The policy was provided, in writing, to patients upon admission to the hospital facility **f** ☑ The policy was available upon request **g** ☑ 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 (FAP) that explained actions the hospital facility may take upon non-payment?	**14**	Yes	
15 Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP **a** ☐ Reporting to credit agency **b** ☐ Lawsuits **c** ☐ Liens on residences **d** ☐ Body attachments or arrests **e** ☐ Other similar actions (describe in Part VI)			
16 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	**16**		No
If "Yes," check all actions in which the hospital facility or a third party engaged **a** ☐ Reporting to credit agency **b** ☐ Lawsuits **c** ☐ Liens on residences **d** ☐ Body attachments **e** ☐ Other similar actions (describe in Part VI)			
17 Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) **a** ☐ Notified patients of the financial assistance policy upon admission **b** ☐ Notified patients of the financial assistance policy prior to discharge **c** ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills **d** ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy **e** ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

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?	**18**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Individuals Eligible for Financial Assistance

		Yes	No
19 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care			
a ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☐ 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?	**20**		No
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient?	**21**		No
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 from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? **38**

	Name and address	Type of Facility (Describe)
1	See Additional Data Table	
2		
3		
4		
5		
6		
7		
8		
9		
10		

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, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

2 **Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health 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 hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

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

Identifier	ReturnReference	Explanation
PART I, LINE 3(C) CHARITY CARE ELIGIBILITY CRITERIA	SCHEDULE H, PART I, LINE 3(C) CHARITY CARE ELIGIBILITY CRITERIA	GROUP HEALTH PROVIDES FREE CARE TO LOW INCOME INDIVIDUALS AT 200% OF FEDERAL POVERTY GUIDELINES BUT DOES NOT OFFER DISCOUNTED CARE

Identifier	ReturnReference	Explanation
PART I, LINE 7(F) PERCENT OF TOTAL EXPENSE	Schedule H, Part I, Line 7(f) Percent of Total Expense	BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE FOR PART I, LINE 7, COLUMN (F)

Identifier	ReturnReference	Explanation
PART I, LINE 7 PERCENT OF TOTAL EXPENSE	SCHEDULE H, PART I, LINE 7	COST-TO CHARGE RATIO DERIVED FROM WORKSHEET 2, RATIO OF PATIENT CARE COST-TO CHARGES, WAS USED TO REPORT THE FOLLIWNG COMMUNITY BENEFIT EXPENSES CHARITY CARE AT COST UNREIMBURSED COSTS-OTHER-MEANS TESTED GOVERNMENT PROGRAMS (HEALTHCARE ASSISTANCE) GROUP HEALTH UTILIZED THE MARKET SEGMENT REPORT (MSR), AN INTERNAL MANAGEMENT REPORT THAT PROVIDES DETAILED REVENUE AND EXPENSE BY LINE OF BUSINESS USING GAAP INCOME STATEMENT AND COST MANAGEMENT DATA (CMD) EXPENSE AND UTILIZATION INFORMATION ON A MONTHLY BASIS, ALL GAAP GENERAL LEDGER EXPENSES ARE LOADED INTO THE CMD COSTING SYSTEM AT THE ACCOUNTING UNIT (AU) AND ACCOUNT LEVEL ALONG WITH PATIENT UTILIZATION INFORMATION FROM VARIOUS UTILIZATION SYSTEMS EACH AU IS CATEGORIZED WITHIN CMD AS ONE OF THREE TYPES OF EXPENSES 1) DELIVERY SYSTEM REPRESENTING MEDICAL SERVICES PROVIDED TO CONSUMERS, 2) HEALTH PLAN REPRESENTING INSURANCE SERVICES, OR 3) OVERHEAD REPRESENTING ADMINISTRATIVE SUPPORT SERVICES TO BOTH DELIVERY SYSTEM AND HEALTH PLAN OVERHEAD IS ALLOCATED TO EITHER DELIVERY SYSTEM OR HEALTH PLAN USING A STEP DOWN PROCESS BASED ON RELEVANT STATISTICS SUCH AS NUMBER OF FTES, LABOR COST, SQUARE FEET, ETC THE OVERHEAD ALLOCATION PERCENTAGE BETWEEN DELIVERY SYSTEM AND HEALTH PLAN ARE DETERMINED AND MAINTAINED BY THE CMD COSTING AND COSTING METHODOLOGY REVIEW TEAM THE FOLLOWING COMMUNITY BENEFIT EXPENSES ARE REPORTED BASED ON THE MSR UNREIMBURSED MEDICAID UNREIMBURSED COST-OTHER MEANS-TESTED GOVERNMENT PROGRAMS (BASIC HEALTH PLAN) COMMUNITY HEALTH IMPROVEMENT SERVICES AND COMMUNITY BENEFIT OPERATIONS HEALTH PROFESSIONS EDUCATION SUBSIDIZED HEALTH SERVICES RESEARCH CASH AND IN-KIND CONTRIBUTIONS TO COMMUNITY GROUPS

Identifier	ReturnReference	Explanation
PART III, LINE 4, BAD DEBT EXPENSE	SCHEDULE H, PART III, LINE 4, BAD DEBT EXPENSE	Bad debt is recorded when a patient who is determined to have the financial capacity to pay for services is unwilling to settle the bill Bad debt includes patients/guarantors -who do not pay for legitimate services after 3 statements -whose mail is returned to Group Health and who cannot be contacted -who declare bankruptcy -who fail to meet in-house payment arrangements -who agree to long-term billing services provided by a contracted collection agency Accounts are reviewed for referral to collection agencies if 1) After 3 cycle bills no payment has been received, and 2) The balances are 90 days from the date of first statement The account will then remain in pre-collect status for the first 30 days after assignment, during which time no collection activities are initiated by the agencies Other bad debt accounts, including returned mail and lapsed payment arrangements, are manually assigned to collection agencies Other bad debt accounts, including returned mail and lapsed payment arrangements, are manually assigned to collection agencies The collection agency assignment process generates the appropriate write-off to bad debt expense Accounts for bankruptcies are written off to bad debt expense when a notice of bankruptcy filing is received Justification for all bad debt write-offs is recorded in the patient's electronic billing record Following is the footnote from the consolidated audited financial statement related to provision for uncollectible account (f)ACCOUNTS RECEIVABLE PRIMARILY CONSIST OF PREMIUMS, RECEIVABLES FOR NONCOVERED HEALTH CARE SERVICES, COPAYS AND DEDUCTIBLES, AND RECEIVABLES FOR FEE-FOR-SERVICE CLINICAL SERVICES PROVIDED TO NONENROLLEES THE GROUP RECORDS A REDUCTION IN THE RELATED PREMIUM REVENUES FOR AN ESTIMATE OF AMOUNTS RELATED TO RETROACTIVE ENROLLMENT CHANGES PROVISIONS FOR CONTRACTUAL ADJUSTMENTS ARE RECORDED ON AN ACCRUAL BASIS AND ARE DEDUCTED FROM GROSS REVENUES BAD DEBTS RELATED TO SERVICES PROVIDED ARE RECORDED AS OPERATING EXPENSES IN THE CONSOLIDATED STATEMENTS OF OPERATIONS (f) PROVISION FOR UNCOLLECTIBLE ACCOUNTS AND RETROACTIVITY THE GROUP PROVIDES AN ALLOWANCE FOR POTENTIAL UNCOLLECTIBLE ACCOUNTS RECEIVABLE WHEREBY SUCH RECEIVEABLES ARE REDUCED TO THEIR ESTIMATED NET REALIZABLE VALUE THE GROUP ESTIMATES THIS ALLOWANCE BASED ON THE AGING OF ACCOUNTS RECEIVABLE, HISTORICAL COLLECTION EXPERIENCE, ENROLLMENT RETROACTIVITY AND OTHER RELEVANT FACTORS THERE ARE VARIOUS FACTORS THAT CAN IMPACT THE COLLECTION TRENDS AND THE ESTIMATION PROCESS, SUCH AS CHANGES IN THE ECONOMY, THE INCREASED BURDEN OF COPAYS AND DEDUCTIBLES TO BE MADE BY ENROLLEES AND BUSINESS PRACTICES RELATED TO COLLECTION EFFORTS THE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS AND RETROACTIVITY WAS $9,791,000 AND $12,622,000 AS OF DECEMBER 31, 2011 AND 2010, RESPECTIVELY Group Health does not count any bad debt as community benefit

Identifier	ReturnReference	Explanation
PART III, LINE 8, MEDICARE SHORTFALL	SCHEDULE H, PART III, LINE 8, MEDICARE SHORTFALL	Group Health files a low volume Medicare cost report which includes only statistical usage information The low volume report does not include charge or cost information found in full cost reports Group Health uses internal cost and charge information to compute a cost to charge ratio for its Central Hospital Medicare costs Group Health does not include any Medicare shortfall as community benefit

Identifier	ReturnReference	Explanation
PART III, LINE 9, COLLECTION POLICY	SCHEDULE H, PART III, LINE 9, COLLECTION POLICY	Bad debt expense is recognized when a patient who is determined to have the financial capacity to pay for services is unwilling to settle the bill Standard practice is to refer accounts for collection after three 30 day billing cycles have passed without payment Each billing statement includes information on how patients can contact Group Health's Sponsored Care department to inquire about payment assistance At any point in the billing process when the patient informs Group Health they are unable to pay, they are screened for likely eligibility for financial assistance and sent a financial assistance application, which collects income and other financial information If a patient is eligible for free or discounted care, the charges are written off as adjustments to revenue and not recognized as bad debt The collections process is terminated

Identifier	ReturnReference	Explanation
PART V, QUESTION 13	SCHEDULE H, PART V, QUESTION 13	OTHER MEASURE TO PUBLICIZE THE FINANCIAL ASSISTANCE POLICY WITHIN THE COMMUNITY SERVED BY THE HOSPITAL FACILITY GROUP HEALTH PUBLICIZES ITS FINANCIAL ASSISTANCE POLICY IN A VARIETY OF WAYS THE POLICY IS POSTED ON THE GROUP HEALTH WEBSITE, INCLUDED WITH BILLING INVOICES, POSTED IN THE HOSPITAL'S EMERGENCY ROOM/URGENT CARE CENTER AND ADMISSIONS OFFICE THE FAP IS AVAILABLE ON REQUEST THE FAP IS ALSO PROVIDED DURING THE PRE-ADMISSION PROCESS TO PATIENTS WHO MAY BE ELIGIBLE THIS IS DONE ON A CASE-BY-CASE BASIS BY PRE-ADMIT STAFF, BASED ON THE PATIENT'S LIKELY NEED AND ELIGIBILITY TO QUALIFY IF A PATIENT IS NOT PRE-ADMITTED, THE POLICY IS DISCUSSED AT THE TIME OF BEDSIDE REGISTRATION FOR ADMISSION TO OUR HOSPITAL FACILITY IF A PATIENT MAY QUALIFY FOR FINANCIAL ASSISTANCE, S/HE IS PROVIDED WITH A FORM TO SIGN IN ORDER TO RECEIVE FREE CARE UNDER THE CHARITY CARE POLICY

Identifier	ReturnReference	Explanation
PART V, QUESTION 19	SCHEDULE H, PART V, QUESTION 19	GROUP HEALTH BILLING IS BASED ON USUAL, CUSTOMARY AND REASONABLE (UCR) CHARGES FOR THE GEOGRAPHIC AREA, WITH CONSIDERATION OF ACTUAL AVERAGE COSTS OF CARE PROVIDED BY GROUP HEALTH TO ALL PATIENTS MAXIMUM CHARGES FOR FAP-ELIGIBLE INDIVIDUALS ARE NO MORE THAN THE AMOUNTS GENERALLY BILLED TO INSURED PATIENTS FOR EMERGENCY OR MEDICALLY NECESSARY CARE FURTHER, CHARGES TO ELIGIBLE INDIVIDUALS FOR ANY OTHER CARE ARE LESS THAN THE GROSS CHARGES FOR THAT CARE

Identifier	ReturnReference	Explanation
PART VI, LINE 2, NEEDS ASSESSMENT	SCHEDULE H, PART VI, LINE 2, NEEDS ASSESSMENT	Community Needs Assessment Methodology Group Health Cooperative (Group Health) uses a number of methods to assess and meet the needs of the communities served To develop the foundation for its community health initiative, Group Health performed a secondary data assessment in 2009 Using data from Washington State Local Health Departments and Districts (http //www doh wa gov/LHJMap/LHJMAP htm), United Way of King County's Community Assessment (http //www uwkc org/kcca/), and Seattle/King County's Community Health Indicators report (http //www kingcounty gov/healthservices/health/data/chi2009 aspx) a localized assessment of the needs within the Group Health service area was compiled In 2010, Group Health employed the Center for Community Health and Evaluation to interview 29 key community informants Questions addressed unmet and/or unaddressed health needs of children and families, as well as perspectives on effective strategies that might involve Group Health and that have the potential for charting progress and success toward community health outcomes These perspectives provided the guidance and direction necessary for Group Health's Community Health Initiative The Initiative puts particular focus on providing community support tools to manage chronic disease and overweight/obesity in young adults and families through increased physical activity and improved nutrition Group Health also participates in policy and advocacy efforts to ensure greater access to appropriate, timely and comprehensive coverage and care for low-income populations This includes assuring that the Group Health care delivery system is included with other safety net and community providers in both Medicaid and Basic Health programs, a state developed coverage program offering subsidized premiums for low-income adults and families In addition to spreading a proven delivery system philosophy, Group Health has participated in the identification and fulfillment of necessary public-domain research related to prevention, diagnosis and treatment of major health problems Lastly, Group Health continues to train necessary and critically-important health professionals for more than 40 different medical and ancillary health professions, especially in high-demand shortage professions such as primary care and ambulatory nursing

Identifier	ReturnReference	Explanation
PART VI, LINE 3, PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	SCHEDULE H, PART VI, LINE 3, PATIENT EDUCATION OF ELIG FOR ASSISTANCE	Group Health has two financial assistance programs which are administered as the Sponsored Care program The Charity Care program is for patients seeking hospital services who have incomes at or below 200% FPL The Health Care Assistance program is for enrollees or former enrollees seeking any medical care or service at a Group Health facility and who are at or below 250% FPL Group Health informs patients about Sponsored Care as follows 1 Group Health displays large posters at the main entrances of Group Health Hospital, as well as at the hospital's Urgent Care Center and at its Labor/Delivery Unit Each poster repeats the following message in seven different languages "You may be eligible for free hospital care Group Health Cooperative provides free hospital care to low-income patients as "charity care " You must meet certain income standards to qualify If you think you may qualify, please ask about charity care at the registration desk " Desk cards at the reception and registration areas in the hospital repeat the message (in English), and include the financial guidelines 2 Group Health Hospital Urgent Care staff provides financial information and attestation forms to patients seeking Charity Care at the time of registration for services 3 As part of their standard operating procedures, Clinical, Customer Service and Patient Billing staff throughout Group Health are able to provide information about and assistance with patient qualification for Sponsored Care programs at the time of service or via telephone 4 Administrative and Billing office staff at all 25 Group Health medical centers provide patients with Sponsored Care applications upon request at the time of service 5 There is a standard notice on all Group Health bills for patient care, which states that the patient may be eligible for financial assistance, and provides contact information for assistance

Identifier	ReturnReference	Explanation
PART VI, LINE 4, COMMUNITY INFORMATION	SCHEDULE H, PART VI, LINE 4, COMMUNITY INFORMATION	Group Health's primary exempt purpose is to provide comprehensive, prevention-oriented hea lth care services Beneficiaries of this purpose are Group Health enrollees and non-enroll ed patients Group Health also provides health-related education and research activities t hat benefit the broader community To fulfill its purpose, Group Health provides outpatien t primary and specialty care as well as some inpatient acute and sub-acute care through th e services of salaried physicians, nurses, and other health care providers The salaried p hysicians are employed by Group Health Permanente, P C , an organization with whom Group H ealth has an exclusive contract As of year-end 2011, Group Health operated one hospital, 25 primary care medical centers, six specialty care units and seven behavioral health clin ics Group Health also contracts with community health care providers for services where G roup Health does not operate its own facilities and for medical services not provided at G roup Health facilities Group Health's service areas include all, or parts of, 19 counties in Washington and 2 counties in Idaho In the last decade, the minority population in Was hington as a whole grew from 20 6% of the state population to 25 2 % Eleven counties have minority populations above the state average For the counties in Group Health's service area, Franklin (51 2%), Yakima (45 0%), King (8 9%), Pierce (9 2%) and Walla-Walla (19 7%) counties consistently have the highest percent of Hispanic populations Franklin County a nd Yakima County have the largest shares of Non-White racial groups Current data indicate s 49 5% of Washington's Black population resides in King County and 22 5% in Pierce County With respect to the Asian and Pacific Islander population, 58 6% reside in King County, with 9 8% in Pierce County, and 13 1% in Snohomish County Yakima County's ranking as home to the second largest concentration of the American Indian and Alaska Native population i n 2000 was overtaken by Pierce County in 2008 Group Health serves all of these communitie s The ethnic and racial makeup of our members are as follows Caucasian, 80%, African Ame rican/Black, 3%, Asian/Pacific Islander, 8%, Hispanic, 5%, Alaska Native/American Indian, 1%, Other 3% In 2011, Group Health and its wholly-owned subsidiaries, Group Health Option s, Inc and KPS Health Plans, provided health care coverage and services to approximately 660,000 individuals Group Health was able to reach these individuals via individual and f amily, commercial group, Medicare, Medicaid, and State-subsidized low-income ("Basic Healt h") enrollees in Washington and North Idaho Most Medicare and Medicaid patients receive s uch services under capitation contracts between Group Health and state and federal governm ent agencies, and others receive care on a fee-for-service basis Group Health extends its health care services to the community, providing care to people in need regardless of the ir enrollment status or ability to pay Special attention is devoted to underserved, at-ri sk populations Specifically related to low-income enrollees, in 2011, Group Health provid ed coverage to Healthy Options (Washington State Managed Medicaid) enrollees in 6 counties around the State as well as providing care to Medicaid fee-for-service patients who were unable to access Group Health through the managed Medicaid program Group Health's 2011 Me dicaid enrollment averaged 20,000 In addition, in 2011, Group Health served approximately 8,000 Basic Health members, largely low-income adults, in 5 counties across the state Wh ile Group Health covers between 3-4% of the total Managed Medicaid population in Washingto n State, we have a much higher proportion of the population in two specific counties In K itsap County we have approximately 3,000 enrollees or 19% of the total Medicaid managed ca re population In Spokane County we have 11,000 enrollees or 21% of the Medicaid managed c are population In addition, Group Health's Family Beginnings Unit (FBU) in Seattle provid es labor and delivery and neonatal intensive care unit services to Medicaid patients throu gh two different contracting models The first contract model is through the Group Health Healthy Options Medicaid program enrollees, with Group Health physicians and nurse midwive s delivering newborns The second model consists of contracts with several community healt h clinics and federally qualified health centers to allow community providers to deliver t he patients of these community clinics at the FBU, with back-up and support provided by Gr oup Health OB-Gyn physicians In addition to Medicaid patients, the Group Health FBU is on e of a few birthing facilities in Seattle that allows certified nurse midwife birthing for all patients Finally, the Group Health Teen Pregnancy and Parenting Clinic (TPPC) provid es comprehensive Women Infants and Children (WIC) and other health care services to both G roup Health and non-Group Health low-income teenag

Identifier	ReturnReference	Explanation
PART VI, LINE 4, COMMUNITY INFORMATION	SCHEDULE H, PART VI, LINE 4, COMMUNITY INFORMATION	ers and young adults

Identifier	ReturnReference	Explanation
PART VI, LINE 5, PROMOTION OF COMMUNITY HEALTH	SCHEDULE H, PART VI, LINE 5, PROMOTION OF COMMUNITY HEALTH	GHC conducts public-domain research through one of its divisions, the Group Health Research Institute (GHRI) Since its inception in 1983, GHRI investigators have published more than 2,000 scientific papers and have made major contributions in injury prevention, large scale interventions in smoking cessation, breast cancer screening, treatment of depression, the safety and efficacy of immunizations, osteoarthritis and joint disease, cancer, diabetes, mental health, and effective treatment of cardiovascular disease Most recent research has focused on the improvements and cost-reductions of an advanced primary care medical home model This research, particularly the latest research on advanced primary care, directly addresses the need for information and evidence on high performing health systems able to contain the escalating and unsustainable costs of care These costs are certain to increase with the overall aging of the population as well as the increased demand of newly insured populations brought about by health reform GHRI's comparative effectiveness research, in contrast to controlled experimental studies, directly addresses the care needs and efficacy of treatment models in populations served in widespread community practices Group Health engages in a variety of health promotion activities In addition to providing staff volunteers to support a wide range of activities and events, Group Health donated over $879,000 in 2011 for community building activities These included supporting safety net organizations, such as Crisis Clinic, King County Project Access and Eldercare NW, promoting healthy active lifestyles, such as supporting the Cascade Bicycle Club, Major Taylor Program, and the YMCA, and educating the public about healthy choices, such as supporting programs at the Pacific Science Center, the Pride Foundation, and Washington Health Foundation Group Health, in partnership with several state and federal agencies, piloted and continues to expand an innovative Patient Medication Disposal Program which allows patients with discontinued or expired medications to dispose of them in a safe and environmentally sound manner This system involves secure, convenient drop-boxes located in 25 Group Health pharmacies across the state to allow members and patients to recycle in a way that keeps them out of landfills and water systems In addition to environmental benefits, this program also helps prevent risks to the safety of participants through abuse and accidental poisoning Last, Group Health's Board of Trustees serves as the governing board of Group Health's hospital The Board is comprised of 11 independent trustees who are elected by Group Health's voting membership The members of the board represent a cross-section of the community

Identifier	ReturnReference	Explanation
PART VI, LINE 6, AFFILIATED HEALTH CARE SYSTEM	SCHEDULE H, PART VI, LINE 6, AFFILIATED HEALTH CARE SYSTEM	Group Health Cooperative is one of the nation's largest consumer governed health care organizations Group Health is governed by an independent Board of Trustees comprised of 11 enrolled members all of whom reside in the Group Health service area and are elected by Group Health's voting membership Voting membership is open to all Group Health enrollees over the age of eighteen Group Health Cooperative has a wholly owned subsidiary, the Group Health Foundation, which is also 501(c)(3) organization The purpose of the Group Health Foundation is to improve the health of communities in partnership with Group Health Cooperative and Group Health Research Institute Group Health Foundation invests in research related to health care innovation, quality outcomes and community partnerships and provides technical assistance and grants, as well as sponsoring specific programs, to promote children's health and fitness, preventive care and health education and diversity Group Health Foundation is currently engaged in a multi-year program with organizational and school-based partners in communities across the state, to address the effects of parental hesitancy on low vaccination rates of Washington's children This includes procuring and providing vaccines to children, as well as sponsoring social marketing and other activities to reduce parental hesitancy related to childhood vaccination Group Health Cooperative has an exclusive contract with Group Health Permanente, P C , a group practice with 1,400 salaried clinicians Group Health Permanente is not under common governance or control with Group Health Cooperative, but the two organizations collaborate to serve the community Both Group Health Cooperative and Group Health Permanente participate as faculty and preceptors for residency and health professionals training programs In addition to the operation of a Family Practice Residency Program (for which Group Health Permanente physicians serve as faculty), Group Health Cooperative and Group Health Permanente participate in the training of over a dozen medical specialties and an additional 20+ mid-level and non-physician training programs, including those for critical shortage professions such as nursing, physical therapy and pharmacy As an integrated care organization and one of the largest providers in Washington State, Group Health has innovative new approaches to care that contribute to Washington State having higher health care quality and lower costs than the national average This has included being a national leader in the widespread adoption of electronic medical records, focus on prevention and a patient-centered medical home model of care Physician and non-physician leaders at Group Health also contribute to the expansion of evidence-based medicine and outcomes improvement by sharing clinical guidelines, quality improvement efforts and protocols related to shared decision-making and other patient engagement tools, Lean process improvements in clinical care and other care innovations Group Health is a leader in the Puget Sound Health Alliance, which publicly and transparently reports provider quality measures through its Community Checkup In addition to the above mentioned programs in Washington State, in 2011 Group Health physicians and staff volunteered medical services to homeless shelters, community clinics and other relief efforts in the U S and around the world

Identifier	ReturnReference	Explanation
PART VII, LINE 7, STATE OF FILING OF COMMUNITY BENEFIT REPORT	SCHEDULE H, PART VII, LINE 7, STATE OF FILING OF COMMUNITY BENEFIT REPORT	This question is not applicable

Additional Data

Software ID:
Software Version:
EIN: 91-0511770
Name: GROUP HEALTH COOPERATIVE

Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility (list in order of size from largest to smallest) How many non-hospital facilities did the organization operate during the tax year? **38** Name and address	Type of Facility (Describe)
CAPITOL HILL EAST BUILDING 1600 E JOHN ST SEATTLE, WA 981125260	MEDICAL CLINIC
CAPITOL HILL EAST BUILDING 1600 E JOHN ST SEATTLE, WA 981125260	MEDICAL CLINIC
CAPITOL HILL EAST BUILDING 1600 E JOHN ST SEATTLE, WA 981125260	MEDICAL CLINIC
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CAPITOL HILL EAST BUILDING 1600 E JOHN ST SEATTLE, WA 981125260	MEDICAL CLINIC

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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, question 23.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
GROUP HEALTH COOPERATIVE

Employer identification number
91-0511770

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate 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 ☑ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☑ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)			
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**	Yes	
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?	**2**	Yes	
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 ☑ Compensation committee ☐ Written employment contract ☑ Independent compensation consultant ☑ Compensation survey or study ☐ Form 990 of other organizations ☑ 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?	**4a**	Yes	
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only 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**		No
b	Any related organization?	**5b**		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**		No
b	Any related organization?	**6b**		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**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		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**		

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use Schedule J-1 if additional space 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) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(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				
See Additional Data Table								

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

Identifier	Return Reference	Explanation
FIRST CLASS TRAVEL	SCHEDULE J, PART I, LINE 1A	Per Group Health expense reimbursement policy, air travel is to be booked at coach class unless pre-authorized by the approving manager The Compensation Committee of the Board of Group Health authorized first-class travel for the President/CEO due to extensive amount of required business travel during 2011 First-class travel expense is not reported as taxable compensation as it is only reimbursed when incurred for business purposes
SOCIAL CLUB DUES	SCHEDULE J, PART I, LINE 1A	All employees are responsible for following all of Group Health's expense reimbursement guidelines and being good stewards of the Company's resources The Company will pay for certain executives' social club dues if the expense complies with the expense reimbursement policy and the business expenses are related to a legitimate business purpose and are reasonable for the situation in which they were incurred Social club dues are not treated as taxable compensation when strictly incurred for business purpose
SEVERANCE PAYMENT	SCHEDULE J, PART I, LINE 4A	The Group Health President and CEO, the Executive Vice Presidents, and the Vice Presidents are each parties to written employment agreements with Group Health Cooperative that provide for severance benefits under certain conditions The President and CEO's employment agreement is approved by the Compensation Committee of the Board of Trustees Executives who are terminated for cause, or who elect to terminate their employment relationship without cause (meaning they voluntarily quit), are not entitled to severance benefits In the event the executive is eligible for severance benefits, the severance benefits are as follows severance payments in the maximum, total amount of twelve (12) months of base salary, (eighteen (18) months for the President and CEO), plus medical and dental coverage (at the same level provided to the executive as of the date of separation) for a maximum of twelve (12) months (eighteen (18) months for the president and CEO) These benefits are forfeited if the executive violates the terms of the non-competition, non-solicitation, and confidentiality commitments in the employment agreement Further, with respect to the executive vice presidents and vice presidents, the severance payments (and medical and dental coverage) will cease after six months of the executive's separation date in the event and as of the date that the executive provides services, or enters into an agreement to provide services, as an employee or independent contractor to Group Health, any of its subsidiaries, Group Health Permanente, or any other organization in a comparable position (meaning an executive level position with compensation that is at least 80% of the executive's compensation as of the separation date) Last, the President and CEO's employment agreement also provides for severance payments in the event of a change in control, which the employment agreement defines as (1) the acquisition by another organization of ownership or control of all or substantially all of the assets or operations of Group Health, by merger, consolidation, dissolution, liquidation, joint venture, partnership, affiliation, management agreement, sale or transfer of assets, or otherwise, (2) a conversion of Group Health to a stock-based corporation, (3) a fifty percent (50%) or greater change in the composition of the board of trustees that occurs within any single calendar year, or (4) any other change in the management or operational control of Group Health that is determined by the Group Health Board of Trustees by majority vote to be a change in control for purposes of the CEO's employment agreement Peter Morgan, EVP, Group Practice Division, Severance Payment of $18,501
SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN	SCHEDULE J, PART I, LINE 4B	The Group Health President and CEO, the Executive Vice Presidents, and the Vice Presidents are eligible to participate in a nonqualified supplemental executive retirement plan (the "plan") approved by the Group Health Cooperative Board of Trustees compensation committee and administered by the compensation committee Group Health credits to the account of each active participant an annual contribution amount of nine percent of the participant's base salary (15 3% for the President and CEO) The formula for the annual contribution is based on the participant's base salary and excludes any incentive plan or bonus payment amounts The plan balances are subject to substantial risk of forfeiture until the participant has vested and met other plan requirements Vesting occurs after either three years or five years from the date on which a participant enters the plan, based on the participant's date of hire (as of January 1, 2008, all new executive vice president and vice president hires are subject to a five-year vesting schedule) Participants who incur a separation from service prior to their vesting date are not eligible for plan distributions unless certain plan conditions are met A participant remains eligible to participate until his or her account balance is either fully distributed or forfeited Group Health made SERP Plan contributions and distributions in 2011 as follows Scott Armstrong, President and CEO, $132,969 Rick Woods, Secretary/EVP, General Counsel, $37,758 Pamela MacEwan, Asst Secretary/EVP, Pub Affrs, $25,270 James Hereford, EVP, Strategic Services & Qlty, $63,127 Joel Suezle, VP, Hlth Plan Administration, $26,031 Cynthia Johnson, EVP, HR, $28,191

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 91-0511770
Name: GROUP HEALTH COOPERATIVE

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation (i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation	(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
Scott E Armstrong	(i)	905,728	147,735	153,418	137,600	31,188	1,375,669	0
	(ii)	0	0	0	0	0	0	0
Richard E Magnuson	(i)	514,548	73,281	10,832	28,212	12,690	639,563	0
	(ii)	0	0	0	0	0	0	0
Rick D Woods	(i)	432,934	62,436	42,722	152,100	13,019	703,211	0
	(ii)	0	0	0	0	0	0	0
Pamela A MacEwan	(i)	289,845	41,917	28,899	28,212	22,574	411,447	0
	(ii)	0	0	0	0	0	0	0
Breton C Myers	(i)	220,106	17,856	7,811	26,696	7,156	279,625	0
	(ii)	0	0	0	0	0	0	0
Michael Erikson	(i)	308,396	31,658	3,788	27,746	13,086	384,674	0
	(ii)	0	0	0	0	0	0	0
Robert O'Brien	(i)	629,701	90,576	7,396	23,312	21,344	772,329	0
	(ii)	0	0	0	0	0	0	0
Cynthia Johnson	(i)	335,011	48,073	34,025	0	0	417,109	0
	(ii)	0	0	0	0	0	0	0
Randy Barker	(i)	247,862	19,687	2,434	25,551	19,516	315,050	0
	(ii)	0	0	0	0	0	0	0
Joel Suelzle	(i)	299,330	36,683	29,731	135,500	19,142	520,386	0
	(ii)	0	0	0	0	0	0	0
Scott Boyd	(i)	277,048	34,296	3,459	28,107	30,176	373,086	0
	(ii)	0	0	0	0	0	0	0
Eric Larson	(i)	308,255	25,159	4,497	28,212	24,305	390,428	0
	(ii)	0	0	0	0	0	0	0
Linda MacMaster	(i)	262,017	35,678	2,973	26,457	9,358	336,483	0
	(ii)	0	0	0	0	0	0	0
James Herford	(i)	252,263	60,823	67,414	23,312	8,668	412,480	0
	(ii)	0	0	0	0	0	0	0
Brian Harris	(i)	251,070	31,406	3,145	138,200	18,374	442,195	
	(ii)							
Barbara Belt Lloyd	(i)	200,553	16,957	1,241	155,973	25,422	400,146	
	(ii)							
Laura Rehrmann	(i)	259,426	32,034	26,447	27,790	7,217	352,914	
	(ii)							

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 in Schedule O (Form 990).
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
GROUP HEALTH COOPERATIVE

Employer identification number
91-0511770

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased Yes	(g) Defeased No	(h) On Behalf of Issuer Yes	(h) On Behalf of Issuer No	(i) Pool financing Yes	(i) Pool financing No
A	Washington Health Care Facilities Authority	91-1108929	97978EE24	11-08-2006	99,995,662	Revenue Bond 2006		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	0			
2	Amount of bonds defeased	0			
3	Total proceeds of issue	99,995,662			
4	Gross proceeds in reserve funds	8,848,163			
5	Capitalized interest from proceeds	0			
6	Proceeds in refunding escrow	0			
7	Issuance costs from proceeds	1,999,913			
8	Credit enhancement from proceeds	0			
9	Working capital expenditures from proceeds	0			
10	Capital expenditures from proceeds	89,147,586			
11	Other spent proceeds	0			
12	Other unspent proceeds	0			
13	Year of substantial completion	2008			

		A Yes	A No	B Yes	B No	C Yes	C No	D Yes	D 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 Yes	A No	B Yes	B No	C Yes	C No	D Yes	D 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						

Part III Private Business Use *(Continued)*

		A Yes	A No	B Yes	B No	C Yes	C No	D Yes	D No
3a	Are there any management or service contracts that may result in private business use?		X						
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?		X						
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?		X						
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 ▶	0 %							
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 ▶	0 %							
6	Total of lines 4 and 5	0 %							
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 Yes	A No	B Yes	B No	C Yes	C No	D Yes	D 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 hedge with respect to the bond issue?	X							
b	Name of provider	Citibank NA							
c	Term of hedge	30							
d	Was the hedge superintegrated?		X						
e	Was a hedge terminated?		X						
4a	Were gross proceeds invested in a GIC?	X							
b	Name of provider	Trinity Plus Funding							
c	Term of GIC	10							
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X							
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 Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . . ☑ Yes ☐ No

Part VI Supplemental Information

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

Identifier	Return Reference	Explanation

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, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V lines 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
GROUP HEALTH COOPERATIVE

Employer identification number
91-0511770

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

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? To	From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	No	(f) Approved by board or committee? Yes	No	(g) Written agreement? Yes	No
Total . . . . ▶ $										

Part III Grants or Assistance Benefitting 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 of grant or type of assistance

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) TODD CAMPBELL	SON OF FORMER TRUSTEE	52,625	INDEPENDENT CONTRACTOR		No

Part V **Supplemental Information**

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

Identifier	Return Reference	Explanation

efile GRAPHIC print - DO NOT PROCESS	As Filed Data -	DLN: 93493320049322

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 to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
GROUP HEALTH COOPERATIVE

Employer identification number
91-0511770

Identifier	Return Reference	Explanation
Organization's Membership	Form 990, part VI, Section A, Line 6	Group Health Cooperative (GHC) has voting members The GHC bylaws outline a number of purposes, including to serve the greatest possible number of people under consumer cooperative principles without discrimination Eligible consumers who believe in this purpose are encouraged to become voting members and participate in governing GHC To be eligible for membership, a consumer must be eighteen years of age or older and current in monthly premiums

Identifier	Return Reference	Explanation
Organization's Voting Membership	Form 990, Part VI, Section A, Line 7a	GHC has voting members The rights of members are delineated in GHC's bylaws and include the determination of qualifications for membership, the election of members of the Board of Trustees (GHC's governing body), the election of the chair of the standing nominating committee of the membership (which evaluates and nominates candidates for election to the Board), adoption of resolutions that are advisory to the Board, approval of extraordinary actions, and amendment of the Preamble, membership, and membership rights sections of the bylaws

Identifier	Return Reference	Explanation
Approval by Vote of Members	Form 990, Part VI, Section A, Line 7b	GHC bylaws provide that the merger or consolidation of GHC with another entity, the voluntary dissolution of GHC, or the sale, lease, exchange, or other disposition of all or substantially all of the property and assets of GHC must be approved by vote of the members The Board of Trustees presents a proposed plan of merger, consolidation, dissolution, or sale, lease, exchange or other disposition of all or substantially all of the property and assets of GHC to the members for approval Such resolution is first considered at an annual or special meeting Also, amendments to Article 2 of the GHC Bylaws (addressing membership and membership rights) may only be approved by vote of the members The Board of Trustees may propose amendments to Article 2 by resolution

Identifier	Return Reference	Explanation
Organization's Form 990 Review Process	Form 990, Part VI, Section A, Line 11A	The Form 990 undergoes a robust preparation and review process before it is signed The organization's Finance team works closely with the outside accounting firm it engages to review the return and involves many members of management in preparation of the return The Form 990 is then reviewed by GHC management and the outside CPA firm for accuracy and completeness prior to being presented to GHC's Audit and Compliance Committee of the Board of Trustees (a duly constituted committee of the Board) The final draft Form 990 is presented to the Audit and Compliance Committee for review and discussion The final draft Form 990 is also provided to the full Board of Trustees for review and information before the return is filed

Identifier	Return Reference	Explanation
Organization's monitoring and enforcement of conflict of interest policy	Form 990, Part VI, Section B, Line 12c	Group Health Cooperative has an organization-wide conflict of interest policy that covers trustees, officers, and employees It also applies to certain independent contractors when they perform work on behalf of Group Health The policy includes required disclosure procedures which are applied to all Group Health trustees and Group Health officers, including - Providing a written declaration of any actual or potential areas of conflict of interest on an annual basis using forms and procedures developed by the chief compliance officer These declarations are reviewed by the Audit and Compliance Committee of the Board of Trustees - Subsequent reporting of material additions or changes to the information provided on the conflict of interest declarations These additions or changes are reviewed by the Audit and Compliance Committee, following the process used for annual declarations - At each Board meeting, disclosure by trustees of actual or potential conflicts of interest when such interests become a matter for Board action Any trustee having an actual conflict of interest related to a matter at issue first discloses the conflict and then does not vote, take other action, or use his/her personal influence on the matter Group Health officers, other employees, and certain independent contractors acting on behalf of Group Health shall disclose an actual or potential conflict of interest when such an interest is relevant to a matter in which they have a role, either directly or through subordinates acting at their direction Certain high-level management positions and other positions involving transactions with outside parties are also subject to disclosure procedures Individuals in these positions must complete an annual disclosure statement to identify any actual or potential areas of conflict of interest During the year, these persons report material additions or changes to the information provided on annual conflict of interest declarations Managers of persons not required under the policy to complete an annual disclosure are responsible for reviewing and responding to any potential conflicts of interest among their staff and for escalating issues as necessary to ensure they are addressed

Identifier	Return Reference	Explanation
Organization's compensation setting process	Form 990, Part VI, Section B, Line 15	Group Health Cooperative (GHC) is governed by an independent Board of Trustees ("the Board"), comprised of 11 consumers elected by GHC's voting members The Board has delegated to the Compensation Committee of the Board (the "Committee") the responsibility for negotiating and approving the employment agreement and compensation package for the GHC President and Chief Executive Officer ("CEO"), approving the Executive Total Compensation Philosophy that drives all executive compensation decisions, and approving compensation for the Executive Vice Presidents and Vice Presidents of GHC The five members of the Committee are the Chair of the Board of Trustees, the Vice Chair, and three additional Trustees selected by the Chair As adopted by the Committee, the Executive Total Compensation Philosophy provides that GHC will maintain an executive total compensation program designed to facilitate the achievement of its charitable mission, values and organizational goals Executive compensation is set "at a level that enables the organization to attract, retain, motivate and reward the highest caliber executives at a cost that is justifiable to the Board of Trustees and our members and consistent with our charitable mission " Based upon those principles, the philosophy confirms that although compensation will be competitive as compared to comparable health care organizations, base salary ranges will be built around 50th percentile market base pay levels, annual incentives will be targeted at the 50th percentile (with an opportunity to earn above that level based on performance), and benefits and perquisites will be established consistent with market practices Consistent with this Philosophy, the Committee reviews and approves the annual performance goals and criteria to be used in determining salary increases and incentive compensation criteria for the GHC CEO, Executive Vice Presidents and Vice Presidents (which group includes all GHC key employees and GHC officers, excluding the Chair of the Board and the Vice Chair, who are not employed by GHC) The Committee also hires a qualified independent compensation consultant (an independent expert) to review, analyze and provide benchmarking data for the total compensation and benefits packages of the CEO, Executive Vice Presidents and Vice Presidents Appropriate comparability data is obtained from the independent experts, i e , compensation paid by similarly situated organizations (both taxable and tax-exempt, of similar size and in the same industry) for similar job responsibilities The Committee's written records and minutes include the (1) terms of the arrangement with the disqualified person (including the date the arrangement was approved), (2) a list of members present during the debate on the transaction (and how the members voted when it was approved), and (3) a description of the comparable data relied on by the Committee Key deliberations of the Committee are also documented in minutes which are approved at the next Committee meeting The Committee's compensation decisions are shared with the full Board of Trustees The following are the 2011 offices and positions for which the above-described process was used to establish compensation for the persons who held these positions President & CEO, Vice President (VP), Acute, Post-acute, Pharmacy, Lab and EPRO (Apple Division), VP, Administrative Services Division, VP, Finance, Interim VP, Primary Care Services, Interim Executive Vice President (EVP), Group Practice Division, VP, Primary Care Service, VP, Network Services & Care Management, EVP, Group Practice Division, VP, Sales, EVP, Human Resources, VP, Group Health Research Institute, VP, Consultative Specialty & Acute Care Services, VP, Chief Technology Officer, EVP, Public Affairs & Governance, VP, Marketing, EVP, Chief Financial & Administrative Officer, VP, Strategic Planning & Deployment, EVP, Health Plan Division, VP, Community Responsibility, VP, Health Plan Administration, VP, Clinical Excellence & Nursing Operations, EVP & General Counsel, VP & Deputy General Counsel This process was also used in 2010

Identifier	Return Reference	Explanation
Organization's Documents Available to the Public	Form 990, Part VI, Section C, Line 19	Bylaws, consolidated audited financial statements, and the Form 990 and 990-T are made available to the general public through GHC's website and by providing paper copies upon request Copies of the conflict of interest policy are made available upon request

Identifier	Return Reference	Explanation
Reconciliation of Net Assets	Form 990, Part XI, Line 5, Other changes in net assets or fund balances	Membership ($63,525) Capital Dues ($84,700) Unrealized G/L on Investments ($41,195,486) Temp Restricted ($852,705) Perm Restricted $410,738 Other Comprehensive Income ($88,532,457) Retained Earnings $7,259,863 Total ($123,058,272)

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Rosemary Daszkiewicz TITLE Trustee-Chair HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Porsche Everson TITLE Trustee-Vice Chair HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME ChangMook Sohn TITLE Trustee HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Ira M Fielding TITLE Trustee HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Tracy E Garland TITLE Trustee HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Harry Harrison, Jr TITLE Trustee HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Robert J Margulis TITLE Trustee HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Jennifer A Joly TITLE Trustee HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Dorothy Ruzicki TITLE Trustee HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Robert Watt TITLE Trustee HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Susan J Byington TITLE Trustee HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Scott E Armstrong TITLE President & CEO HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME.Richard E Magnuson TITLE.Treasurer, EVP, CFO HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Rick D Woods TITLE Secretary/EVP, General Counsel HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Pamela A MacEwan TITLE Asst Secretary/EVP, Pub Affrs HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Breton C Myers TITLE Assistant Treasurer HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Michael Erikson TITLE VP, Primary Care Service Admin HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Robert O'Brien TITLE EVP, Health Plan Division HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME:Cynthia Johnson TITLE:EVP, HR HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Randy Barker TITLE VP, Apple Division Admin HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Joel Suelzle TITLE VP, Hlth Plan Administration HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Scott Boyd TITLE VP, Finance HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Eric Larson TITLE VP, Group Health Research Inst HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Linda MacMaster TITLE VP Marketing HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Laura Rehrmann TITLE VP, Community Responsibility HOURS 20

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Barbara Belt Lloyd TITLE Controller & Exec Dir Fin Ops HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME James Herford TITLE EVP, Strategic Svcs & Quality HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Brian Harris TITLE VP, Network Svc & Care Mgmt HOURS

SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ 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.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
GROUP HEALTH COOPERATIVE

Employer identification number
91-0511770

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) Columbia Medical Associates 1003 East Trent Suite 150 Spokane, WA 99202 20-0986848	Comp Med Care	WA		2,323,305	GHC

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 organization Yes	No
(1) Group Health Foundation 320 Westlake Ave N Suite 100 Seattle, WA 98109 91-1246278	Foundation	WA	170B1AVI	7	NA	Yes	
(2) Auxiliary of Group Health Cooperative 320 Westlake Ave N Suite 100 Seattle, WA 98109 23-7438071	Auxiliary	WA	509A3-TypeI	N/A	NA	Yes	
(3) Group Health Northwest 320 Westlake Ave N Ste 100 Seattle, WA 98109 91-1216856	Inactive	WA	509A3-TypeI	N/A	NA	Yes	

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) Disproprtionate 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	

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) GROUP HEALTH OPTIONS INC 320 WESTLAKE AVE N STE 100 SEATTLE, WA 981095233 91-1467158	INSURANCE	WA	NA	C CORP	0	200,049,102	100 000 %
(2) KPS HEALTH PLANS 400 WARREN AVE BREMERTON, WA 98337 91-0540525	INSURANCE	WA	NA	C CORP	0	45,511,545	100 000 %
(3) GROUP HEALTH SERVICES INC 320 WESTLAKE AVE N STE 100 SEATTLE, WA 981095233 91-1392222	INACTIVE	WA	NA	C CORP	0	0	100 000 %
(4) GROUP HEALTH OF WASHINGTON 320 WESTLAKE AVE N STE 100 SEATTLE, WA 981095233 91-1314907	INACTIVE	WA	NA	C CORP	0	0	100 000 %

Part V **Transactions With Related Organizations** (Complete if the organization answered "Yes" on 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

		Yes	No
1 During the tax year, did the orgranization 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 **(iv)** rent from a controlled entity	1a	Yes	
b Gift, grant, or capital contribution to related organization(s)	1b	Yes	
c Gift, grant, or capital contribution from related organization(s)	1c	Yes	
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Sale of assets to related organization(s)	1f		No
g Purchase of assets from related organization(s)	1g		No
h Exchange of assets with related organization(s)	1h		No
i Lease of facilities, equipment, or other assets to related organization(s)	1i		No
j Lease of facilities, equipment, or other assets from related organization(s)	1j		No
k Performance of services or membership or fundraising solicitations for related organization(s)	1k	Yes	
l Performance of services or membership or fundraising solicitations by related organization(s)	1l		No
m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1m		No
n Sharing of paid employees with related organization(s)	1n		No
o Reimbursement paid to related organization(s) for expenses	1o		No
p Reimbursement paid by related organization(s) for expenses	1p		No
q Other transfer of cash or property to related organization(s)	1q		No
r Other transfer of cash or property from related organization(s)	1r		No

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) GROUP HEALTH OPTIONS INC	K	686,675,963	FMV
(2) KPS HEALTH PLANS	K	1,603,649	FMV
(3) GROUP HEALTH FOUNDATION	C	695,440	CASH
(4) GROUP HEALTH OPTIONS INC	A	31,084	FMV
(5) COLUMBIA MEDICAL ASSOCIATES LLC	B	1,550,000	CASH
(6)			

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

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

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

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

KPMG

GROUP HEALTH COOPERATIVE AND SUBSIDIARIES

Consolidated Financial Statements
and Supplemental Information

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

GROUP HEALTH COOPERATIVE
AND SUBSIDIARIES

Table of Contents

KPMG LLP
Suite 900
801 Second Avenue
Seattle, WA 98104

Independent Auditors' Report

The Board of Trustees
Group Health Cooperative and Subsidiaries
Seattle, Washington

We have audited the accompanying consolidated balance sheets of Group Health Cooperative and subsidiaries (the Group) as of December 31, 2011 and 2010, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 Group'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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on pages 44 through 47 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

April 13, 2012

GROUP HEALTH COOPERATIVE
AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2011 and 2010

(In thousands)

Assets	**2011**	**2010**
Current assets		
Cash and cash equivalents	$ 358,116	$ 80,147
Short-term marketable securities	37,588	91,000
Accounts receivable – net	146,177	125,740
Inventories	23,720	23,063
Other	28,250	28,512
Total current assets	593,851	348,462
Long-term marketable securities	714,988	843,721
Funds held by trustee	8,848	8,848
Land, buildings, and equipment		
Land	26,766	26,811
Buildings and improvements	585,664	579,977
Equipment	452,668	424,052
Construction in progress	21,835	3,896
Total land, buildings, and equipment	1,086,933	1,034,736
Less accumulated depreciation	(666,845)	(613,708)
Land, buildings, and equipment – net	420,088	421,028
Other assets	40,742	32,901
Total	$ 1,778,517	$ 1,654,960

(Continued)

GROUP HEALTH COOPERATIVE
AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2011 and 2010

(In thousands)

Liabilities and Net Assets		2011		2010
Current liabilities				
Accounts payable	$	256,096	$	78,290
External delivery services payable		254,058		231,667
Unearned premiums and deposits		61,104		51,818
Accrued employee compensation		53,117		56,353
Accrued taxes and interest		18,138		14,372
Short-term borrowings		8,998		40,977
Current portion of long-term debt		4,850		4,655
Current portion of reserve for self-insurance		16,369		17,335
Current portion of retiree medical benefits		4,240		4,635
Total current liabilities		676,970		500,102
Noncurrent liabilities				
Long-term debt		139,903		144,748
Self-insurance		44,461		41,505
Retiree medical benefits		40,171		41,631
Pension		162,220		72,651
Other		31,076		34,935
Total noncurrent liabilities		417,831		335,470
Total liabilities		1,094,801		835,572
Commitments and contingencies (note 11)				
Net assets				
Unrestricted		671,466		806,696
Temporarily restricted		4,173		5,026
Permanently restricted		8,077		7,666
Total net assets		683,716		819,388
Total	$	1,778,517	$	1,654,960

See accompanying notes to consolidated financial statements

GROUP HEALTH COOPERATIVE
AND SUBSIDIARIES

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2011 and 2010

(In thousands)

		2011		2010
Revenues				
Premiums	$	3,156,389	$	2,883,510
Clinical services		234,648		223,456
Other		103,265		89,976
Total operating revenues		3,494,302		3,196,942
Expenses				
External delivery services		1,879,743		1,694,863
Employee compensation		624,280		590,959
Group Health Permanente expense		323,833		295,945
Medical and operating supplies		284,485		263,512
Other expenses		264,271		245,131
Services purchased		141,592		104,963
Depreciation		57,292		56,534
Total operating expenses		3,575,496		3,251,907
Operating loss		(81,194)		(54,965)
Nonoperating income (expense)				
Investment income		73,806		50,154
Interest expense		2,032		(8,182)
Total other income		75,838		41,972
Deficit of revenues over expenses		(5,356)		(12,993)
Change in net unrealized investment gains and losses		(41,195)		18,750
Change in defined benefit pension and other postretirement plans		(88,531)		(1,834)
Other		(148)		(184)
Change in unrestricted net assets		(135,230)		3,739
Change in temporarily restricted net assets		(853)		799
Change in permanently restricted net assets		411		102
Change in net assets		(135,672)		4,640
Net assets				
Beginning of year		819,388		814,748
End of year	$	683,716	$	819,388

See accompanying notes to consolidated financial statements

GROUP HEALTH COOPERATIVE
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2011 and 2010

(In thousands)

		2011		2010
Cash flows from operating activities				
Change in net assets	$	(135,672)	$	4,640
Adjustments to reconcile change in net assets to net cash provided by operating activities				
Depreciation		57,292		56,534
Provision for self-insurance		13,953		16,633
Change in realized and unrealized investments gains and losses		(5,660)		(42,559)
Change in fair value of interest rate swap		(6,959)		300
Recognized other-than-temporary impairment losses		—		3
Change in deferred gain on sale – leaseback		(2,917)		(2,917)
Other		738		2,121
Cash provided by operating assets and liabilities				
Accounts receivable – net		(20,538)		(20,951)
Inventories		(657)		(795)
Other current and noncurrent assets		(2,445)		145
Accounts payable		18,342		2,157
External delivery services payable		22,391		27,386
Accrued employee compensation		(3,236)		12,356
Self-insurance		(11,962)		(19,577)
Accrued taxes and interest		3,766		1,095
Unearned premiums and deposits		12,203		15,600
Pension		89,569		10,551
Retiree medical benefits		(1,855)		(18,487)
Other noncurrent liabilities		(4,008)		(3,307)
Net cash provided by operating activities		22,345		40,928
Cash flows from investing activities				
Payments for land, buildings, and equipment		(52,749)		(36,655)
Proceeds from disposal of land, buildings, and equipment		5		82
Proceeds from sale of marketable securities		1,276,235		755,921
Purchases of marketable securities		(933,556)		(826,967)
Distribution from equity investments		2,185		1,594
Net cash provided by (used in) investing activities		292,120		(106,025)
Cash flows from financing activities				
Repayment of long-term debt		(4,370)		(45,154)
Net short-term borrowings		(31,978)		40,977
Other		(148)		(184)
Net cash used in financing activities		(36,496)		(4,361)
Net increase (decrease) in cash and cash equivalents		277,969		(69,458)
Cash and cash equivalents				
Beginning of year		80,147		149,605
End of year	$	358,116	$	80,147
Supplemental disclosure of cash flow information				
Cash paid during the year for				
Interest	$	5,201	$	8,241
Income taxes		5,729		4,288

See accompanying notes to consolidated financial statements

(1) Organization

The accompanying consolidated financial statements include the accounts of Group Health Cooperative (GHC), GHC's wholly owned subsidiary, Group Health Options, Inc (GHO), and controlled affiliates, KPS Health Plans (KPS), Group Health Foundation (the Foundation), Columbia Medical Associates, LLC (CMA), and Auxiliary of Group Health Cooperative (the Auxiliary), (collectively, the Group)

GHC is a Washington nonprofit corporation registered as a health maintenance organization headquartered in Seattle, Washington GHC offers comprehensive, coordinated health care to an enrolled membership for a fixed prepaid fee through its owned and leased facilities, employed providers, and contracted providers, in addition to providing certain health care services on a fee-for-service basis to both enrollees and nonenrollees

GHO is a Washington for-profit corporation registered and operating as a health care services contractor headquartered in Seattle, Washington GHO provides health care coverage products that feature increased customer choice, including a point of service plan benefit It is also registered in Idaho as a Disability, Including Managed Care Carrier, operating in two counties

KPS is a Washington taxable nonprofit corporation registered and operating as a health care service contractor headquartered in Bremerton, Washington KPS provides health care services through contracts with participating physicians and hospitals

The Foundation is a Washington nonprofit corporation It is organized exclusively to benefit, perform the functions of, and carry out the purposes of GHC and other affiliated tax-exempt organizations It supports research, health careers, training, health education, GHC programs, and other projects that promote high quality health care Grants are awarded to qualified health-related community organizations, extending the internal resources of GHC to the community The Foundation's operations are largely a function of the level of donations it receives

CMA is a Washington limited liability company headquartered in Spokane, Washington CMA provides medical services to families and individuals within the greater Spokane area Effective July 31, 2011, GHC acquired control of CMA (See note 15)

The Auxiliary is an unincorporated association It is organized for the purpose of promoting and advancing the welfare of GHC through fund-raising in order to provide services and gifts to the medical centers, specialty centers, and health-related programs of GHC and its patients

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include those of GHC, its wholly owned subsidiaries and controlled affiliates All significant intercompany accounts and transactions have been eliminated in these consolidated financial statements

The Group has prepared the accompanying consolidated financial statements in accordance with U S generally accepted accounting principles (GAAP)

(b) Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements Significant estimates and assumptions are used in the recording of external delivery services payable, asset valuation, allowances for uncollectible accounts, self-insurance reserves, pension liabilities, retiree medical liabilities, and the evaluation of contingencies and litigation Changes in these estimates and assumptions may have a material impact on the financial statements

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of liquid investments with original or remaining maturities of three months or less at the date of purchase and approximate fair value Cash equivalents generally consist of money market funds and repurchase agreements

The Group is potentially subject to a concentration of credit risk related to financial instruments such as funds held at high credit quality financial institutions and at times such balances with any one financial institution may exceed the Federal Deposit Insurance Corporation's (FDIC) insured limits From December 31, 2010 through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act provides temporary unlimited coverage for noninterest-bearing transaction accounts, which is separate from and in addition to, coverage provided by the FDIC Certain interest bearing accounts remain at risk

(d) Marketable Securities

Marketable securities are readily convertible to cash and are carried at fair value The Group considers securities that will mature within one year as short-term investments All marketable securities are classified as available-for-sale securities and reported at fair value The change in unrealized gains and losses is recorded as a separate component of net assets for GHC, GHO, and KPS The Foundation records the change in unrealized gains and losses to investment income in the statements of operations and changes in net assets The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity or, in the case of mortgage-backed securities, over the estimated life of the security The discount or premium is amortized using the effective-yield method Such amortization and accretion are included in investment income Realized gains or losses on sale are calculated using the first-in first-out (FIFO) method The Group's investment transactions are recorded on a trade-date basis

(e) Other-Than-Temporary Impairment (OTTI)

An investment is impaired if the fair value of the investment is less than its book or amortized cost, resulting in an unrealized loss position Impaired securities are assessed to determine if the impairment is other-than-temporary The Group evaluates investment securities for OTTI based on qualitative and quantitative factors If the Group has the intent to sell, or it is more likely than not that it will sell the security before recovery, OTTI is recorded in income equal to the entire difference between the security's book or amortized cost basis and its fair value at the balance sheet date

For debt securities, if the Group does not intend to sell or it is more likely than not it will be required to sell the security before recovery, OTTI is separated into the amount representing the credit loss and the amount related to all other factors The credit component of the OTTI is recognized in income and the noncredit component is recognized as a component of net assets The credit component of OTTI is determined by comparing the present value of projected future cash flows with the amortized cost basis of the fixed income security The present value is calculated by discounting the projected future cash flows at the effective interest rate implicit in the fixed income maturity at the date of acquisition For mortgage-backed and asset-backed securities, cash flow estimates are based on assumptions regarding the underlying collateral including prepayment speeds, type of underlying assets, geographic concentrations, default rates, recoveries, and changes in value For all other debt securities, 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 Unrealized losses caused by noncredit related factors related to debt securities, for which the Group expects to fully recover the amortized cost basis, continue to be recognized as a component of net assets

(f) Accounts Receivable

Accounts receivable are primarily comprised of premiums, receivables for noncovered health care services, copays and deductibles, and receivables for fee-for-service clinical services provided to nonenrollees The Group records a reduction in the related premium revenues for an estimate of amounts related to retroactive enrollment changes Provisions for contractual adjustments are recorded on an accrual basis and are deducted from gross revenues Bad debts related to services provided are recorded as operating expenses in the consolidated statements of operations

(g) Provision for Uncollectible Accounts and Retroactivity

The Group provides an allowance for potential uncollectible accounts receivable whereby such receivables are reduced to their estimated net realizable value The Group estimates this allowance based on the aging of accounts receivable, historical collection experience, enrollment retroactivity and other relevant factors There are various factors that can impact the collection trends and the estimation process, such as changes in the economy, the increased burden of copays and deductibles to be made by enrollees and business practices related to collection efforts The allowance for uncollectible accounts and retroactivity was $9,791,000 and $12,622,000 as of December 31, 2011 and 2010, respectively

(h) Inventories

Inventories consist of pharmaceuticals, medical and operating supplies, and are stated at the lower of weighted average cost or market

(i) Funds Held by Trustee

Funds held by trustee are assets restricted as to use pursuant to terms and conditions of the revenue bonds (see note 6)

The Series 2006 revenue bonds require a debt service reserve fund for the benefit of the bond owners, which shall be maintained as long as any Series 2006 bonds remain outstanding. The amount of the debt service reserve fund is $8,848,000 for December 31, 2011 and 2010.

(j) Charitable Gift Annuities

As of December 31, 2011 and 2010, the Foundation had a charitable gift annuities liability of $1,220,000 and $1,224,000, respectively, which is recorded as a component of other noncurrent liabilities in the accompanying consolidated balance sheets. Investments held for the charitable gift annuities are $2,146,000 and $2,240,000 as of December 31, 2011 and 2010, respectively, and are recorded as a component of other assets in the accompanying consolidated balance sheets.

(k) Land, Buildings, and Equipment

Land, buildings and improvements, and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or, for leasehold improvements, over the term of the related lease, whichever is shorter. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any related gain or loss is reflected in operations. The estimated useful lives of buildings, improvements, and leasehold improvements are 5 to 40 years, and the estimated useful life of equipment is 2 to 20 years.

(l) Construction in Progress

Construction in progress (CIP) projects include costs incurred while preparing assets for their intended use. CIP projects typically consist of major computer system installations, the construction or remodel of buildings, or the installation of major equipment. The Group capitalizes interest costs on borrowings incurred during construction or development of qualifying assets. Capitalized interest is added to the cost of the underlying assets and is depreciated or amortized over the useful lives of the assets.

(m) Long-Lived Assets

In accounting for its long-lived assets, the Group makes estimates about the expected useful lives of the assets, the expected residual values of the assets, and the potential for impairment based on the fair value of the assets and the cash flows they generate. Factors indicating potential impairment include, but are not limited to, significant decreases in the market value of the long-lived assets, a significant change in the long-lived assets' condition, and operating cash flow losses associated with the use of the long-lived assets.

There is inherent risk in estimating the future cash flows used in the impairment test. If cash flows do not materialize as estimated, there is a risk the impairment charges recognized to date may be inaccurate, or further impairment charges may be necessary in the future.

(n) Intangible Assets

Intangible assets are recorded at fair value and those that are subject to amortization are amortized on a straight-line basis over their estimated useful lives, of 3 to 15 years. As of December 31, 2011 and

2010, the net carrying amount was $1,730,000 and zero, respectfully, and is a component of other assets in the accompanying consolidated balance sheets

(o) Other Current Assets and Other Assets

Other current assets and other assets consist of interest receivable, deferred financing costs, interest rate swap, deposits and prepaid assets

(p) Self-Insurance

The Group is partially self-insured for professional liability and industrial accident claims and fully self-insured for unemployment benefits Professional liability and industrial accident claims liabilities are determined using case-based estimates for reported claims and actuarial estimates for incurred but not reported claims These estimates are based on historical information along with certain assumptions about future events Changes in assumptions related to expected claims development as well as changes in actual experience could cause these estimates to change At December 31, 2011 and 2010, the estimated liability for professional liability claims was $51,123,000 and $50,962,000, respectively At December 31, 2011 and 2010, the estimated liability for industrial accident claims was $6,483,000 and $7,118,000, respectively At December 31, 2011 and 2010, the estimated liability for unemployment claims was $3,224,000 and $759,000, respectively

(q) Reinsurance

The Group limits certain exposure to claims loss by ceding reinsurance to other insurance companies GHC maintains reinsurance on a claims-made basis for professional liability and industrial accident claims Retention levels for professional liability are $10,000,000 per claim with a $50,000,000 annual aggregate in 2011 and 2010 Retention levels for industrial accident claims are $500,000 and $450,000 in 2011 and 2010, respectively, per claim and in aggregate KPS purchases reinsurance to limit its exposure on all of its insured contracts except the Federal Employees Health Benefit Plan and Medicare Supplemental products A retention level of $500,000 per claim with a coinsurance level of 10% was held in 2011 and 2010, by KPS

Reinsurance contracts do not relieve the Group from its obligations to claimants Failure of reinsurers to honor their obligations could result in losses to the Group The Group had recorded prepaid reinsurance premiums of $866,000 and $903,000 as of December 31, 2011 and 2010, respectively, as a component of other current assets, and reinsurance receivables of $458,000 and $146,000 as of December 31, 2011 and 2010, respectively, as a component of accounts receivable

(r) Derivatives

In certain instances, the Group enters into derivative instruments to hedge specific assets and liabilities Prior to entering into a derivative contract designated as a hedge, the relationship between the hedging instruments and the hedged items, as well as its risk management objective and strategy, is formally documented On the date the Group enters into a derivative contract utilized as a hedge, the derivative instrument is designated as either a hedge of the fair value of a recognized asset or liability of an unrecognized firm commitment (known as a fair value hedge) or a hedge of the variability in expected future cash flows associated with an existing recognized asset or liability or a forecasted transaction (known as a cash flow hedge)

(s) *Revenues*

Revenues are derived principally from health care premiums and clinical service billings, net of charity care and contractual adjustments Premiums received in advance of the coverage period are deferred, and revenues are recognized in the period in which services are covered Group contracts cover employee groups and are entered into with employers or union trusts Clinical service revenues are generated through the provision of certain medical and pharmacy services not fully covered under existing benefit policies and from services provided to nonenrollees who receive care at the Group's facilities

GHC participates in the Medicare Advantage program and offers both Medicare Advantage (MA) and Medicare Advantage Prescription Drug (MA-PD) plans MA plans offer Part C Medicare benefits to members and GHC receives capitated revenue from the Centers for Medicare and Medicaid Services (CMS), as well as supplemental premiums from the member MA-PD plans offer Part C and Part D Medicare benefits to members and GHC receives capitated revenue from CMS, as well as supplemental premiums from the member GHO offers MA-PD plans to its Medicare eligible members

The capitated revenue from CMS for Part C and Part D is based on a Risk Adjustment model, where the demographic and health status (i e risk score) of the member is a factor used in determining payment The other major factor of the capitated payment is the member's county of residence Capitated payments from CMS are received monthly and are prospective Adjustments for enrollment and certain member status updates are made to the payments Various accruals related to Part C and Part D revenue as a result of the risk-sharing arrangement, as well as federal reinsurance, and low-income cost-sharing subsidies are recognized as well Final settlements of data are made after the end of the fiscal year

The Medicare and Medicaid Electronic Health Records (EHR) Incentive Program provides incentive payments to eligible professionals and hospitals as they adopt, implement, upgrade and demonstrate meaningful use of certified EHR technology GHC has eligible professionals, as well as an eligible hospital participating in the program Incentives earned through this program are recognized in other revenues and was $11,746,000 for the year ended December 31, 2011

Other revenues include grants awarded to the Group Health Research Institute, a division of GHC, and optical sales Also included in other revenues are self-funded administrative service fees generated by the Group and unconditional promises to donate cash and other assets to the Foundation, which are reported at fair value at the date the promise is received The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the time and purpose of the donated assets When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets

As a result of the recently enacted law, the Patient Protection and Affordable Care Act, as well as the Health Care and Education Reconciliation Act of 2010, or collectively, Health Care Reform, significant changes to the current U.S. health care system are anticipated. Health Care Reform includes numerous provisions affecting the delivery of health care services, the financing of health care costs, payments to health care providers and the legal obligation of health insurers, providers and employers. Health Care Reform is intended to expand access to health insurance coverage over time by increasing the eligibility thresholds for most state Medicaid programs and providing certain other individuals and small businesses with tax credits to subsidize a portion of the cost of health insurance coverage. These provisions are currently slated to take effect at the specified times over the next decade.

The table below presents the balances of the significant operating revenue types for the years ended December 31, 2011 and 2010 (in thousands):

		2011		2010
Premiums				
Group	$	2,167,825	$	2,006,942
Medicare		762,346		686,876
Individual and family		185,300		148,919
Medicaid		40,918		40,773
Total premiums		3,156,389		2,883,510
Clinical services		234,648		223,456
Other revenue				
Grants		45,141		42,520
Other		42,690		32,677
Sales		15,434		14,779
Total other		103,265		89,976
Total operating revenues	$	3,494,302	$	3,196,942

(t) *Premium Deficiencies*

A premium deficiency reserve is recognized when the expected future claims payments and administrative costs of a grouping of existing contracts exceed the premiums to be collected for the remainder of a contract period. Deficiencies in one grouping of contracts are not offset by anticipated surpluses in other groupings. The Group considers anticipated investment income in determining if a premium deficiency exists. Reserves are regularly reviewed and adjusted as experience develops or new information becomes known. Such adjustments would be included in current operations. No reserve was considered necessary at December 31, 2011 and 2010.

(u) *Charity Care*

Charity care represents medically necessary hospital-based care to patients who have demonstrated an inability to pay and receive care at a Group facility. Only the portion of a patient's account that meets the Group's criteria is recognized as charity care The cost of charity care is estimated at $869,000 and $520,000 for the years ended December 31, 2011 and 2010, respectively

(v) ***External Delivery Services***

External delivery services represent health care expenses incurred by GHC, GHO, and KPS for care provided by contracted and noncontracted health care facilities and practitioners The liability reflected on the consolidated balance sheets is determined using actuarial estimates These estimates are based on historical information along with certain assumptions about future events Changes in assumptions, as well as changes in actual experience, could materially impact these estimates In 2011, the Group made improvements to its method of estimating external delivery services payable Under the Group's prior method, development of prior years' liabilities had shown that such liabilities were consistently redundant These improvements should provide a more accurate and reliable estimate of external delivery services at the end of each reporting period Upon implementation of these improvements, the external delivery services payable and expense were reduced by approximately $16,775,000, which was not material to the consolidated financial statements

(w) ***Group Health Permanente Expense***

Group Health Permanente P C is an independent medical group with an exclusive contract to provide medical services at the Group's facilities providing primary, specialty, and inpatient care The Group's net liability to Group Health Permanente was $24,898,000 and $24,435,000 as of December 31, 2011 and 2010, respectively, which is a component of accounts payable in the accompanying consolidated balance sheets

(x) ***Advertising***

Advertising costs are expensed as incurred and are recorded within other expenses in the statements of operations and changes in net assets The Group recorded advertising expense of $4,896,000 and $7,851,000 for the years ended December 31, 2011 and 2010, respectively

(y) ***Leases***

Rent revenue and expense is recorded on a straight-line basis over the term of the respective leases Lease incentives are amortized ratably over the lease term (see note 11)

(z) ***Income Taxes***

GHO and KPS are subject to federal income taxes These companies file federal tax returns and are not subject to any state income tax filing requirements GHC is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the Code) as a charitable organization under Section 501(c)(3) of the Code, except for unrelated business income tax The Foundation has received a determination letter from the Internal Revenue Service (IRS) that it is a tax-exempt public foundation in accordance with Section 501(c)(3) and a public charity in accordance with Section 170(b)(1)(A)(vi) of the Code The Auxiliary has received a determination letter from the IRS that it is a tax-exempt organization in accordance with Sections 501(c)(3) and 509(a)(2) of the Code

CMA is considered a disregarded entity for federal tax purposes and would be included with any GHC federal income tax filing

GHO and KPS recognize deferred income taxes for the tax consequences in future years of the differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to reverse In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and tax planning strategies in making this assessment Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized Interest and penalties, if any, are recognized as other expense in the period in which the interest would be accruing according to tax law or in the period the tax position is initially taken

(aa) Net Assets

Unrestricted net assets result from operations and unrestricted contributions income Temporarily and permanently restricted net assets are accounted for within the Foundation Temporarily restricted net assets account for funds restricted by donors for specific time and purposes, unappropriated earnings on permanent endowments and are available to support the Foundation in carrying out its missions

Temporarily restricted net assets are available for the following purposes as of December 31, 2011 and 2010 (in thousands)

		2011		2010
Health care services	$	2,775	$	3,186
Health education		694		1,075
Health care research and development		627		700
Other		77		65
Total temporarily restricted net assets	$	4,173	$	5,026

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets Permanently restricted net assets as of December 31, 2011 and 2010 are contributions restricted by the donor to be invested in perpetuity

The change in temporarily restricted net assets is comprised of $1,469,000 and $1,060,000 of contributions, $(1,783,000) and $(1,292,000) of release from restrictions, and investment (loss) income of $(539,000) and $1,031,000, for the years ended December 31, 2011 and 2010, respectively

(Continued)

(bb) Reclassifications

Certain reclassifications have been made to the 2010 consolidated financial statements to conform to the 2011 consolidated financial statement presentation

(cc) Accounting Changes

In August 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No 2010-24, *Health Care Entities – Presentation of Insurance Claims and Related Insurance Recoveries*, which clarifies that insurance recoveries should not be netted against a related claim liability The claim liability amount should be calculated without consideration of insurance recoveries This standard is effective for the Group's 2011 calendar year The adoption of this standard did not have a material impact on the Group's consolidated financial statements

In August 2010, the FASB issued ASU No 2010-23, *Health Care Entities – Measuring Charity Care for Disclosure*, which requires a standardized process be used by health care entities that provide charity care to determine the measurement basis Cost will be used as the measurement basis for the Group This standard is effective for the Group's 2011 calendar year The adoption of this standard required additional disclosures (see footnote 2) and did not have a material impact on the Group's consolidated financial statements

(dd) New Accounting Pronouncements

In December 2011, the FASB issued ASU No 2011-11, *Balance Sheet (Topic 210) Disclosures about Offsetting Assets and Liabilities* ASU 2011-11 requires an entity to disclose information about offsetting and related arrangements to enable users of financial statements to understand the effect of those arrangements on its financial position, and to allow investors to better compare financial statements prepared under U S GAAP with financial statements prepared under International Financial Reporting Standards (IFRS) This standard will be effective for the Group's 2013 calendar year Management has yet to determine whether this standard will have a material impact on the Group's consolidated financial statements

In September 2011, the FASB issued ASU No 2011-09, *Compensation – Retirement Benefits – Multiemployer Plans (Subtopic 715-80) Disclosures about an Employer's Participation in a Multiemployer Plan* ASU 2011-09 increases the quantitative and qualitative disclosures an employer is required to provide about its participation in significant multiemployer plans that offer pension or other postretirement benefits This standard will be effective for the Group's 2012 calendar year Management has yet to determine whether this standard will have a material impact on the Group's consolidated financial statements

In July 2011, the FASB issued ASU No 2011-07, *Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities (a consensus of the FASB Emerging Issues Task Force)*, which requires that the provisions for bad debts associated with patient service revenue be presented on a separate line as a deduction from patient service revenue (net of contractual allowances and discounts) in the statement of operations This standard will be effective for the Group's 2012 calendar year The adoption of this standard will not have a material impact on the Group's consolidated financial statements

In July 2011, the FASB issued ASU No 2011-06, *Other Expenses (Topic 720) Fees Paid to the Federal Government by Health Insurers (a consensus of the FASB Emerging Issues Task Force)*, which requires fees imposed on health insurers mandated by the Patient Protection and Affordable Care Act as amended by the Health Care and Education Reconciliation Act (the Acts), be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable There should be a corresponding deferred cost that is amortized to expense using a straight-line method of allocation, unless a better method of allocating the fee over the year is available This standard will be effective for the Group's 2014 calendar year Management has yet to determine whether this standard will have a material impact on the Group's consolidated financial statements

In May 2011, the FASB issued ASU No 2011-04, *Fair Value Measurement (Topic 820) Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U S GAAP and IFRSs*, which results in convergence between U S GAAP and IFRS requirements for measurement of and disclosures about fair value The amendments are not expected to have a significant impact on companies applying U S GAAP This standard will be effective for the Group's 2012 calendar year The adoption of this standard will not have a material impact on the Group's consolidated financial statements

(3) Marketable Securities

Marketable securities as of December 31, 2011 and 2010 consist of the following (in thousands)

	2011			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Debt				
U S government securities	$ 79,324	$ 643	$ (12)	$ 79,955
Municipals	24,290	908	(7)	25,191
Commercial paper	500	—	—	500
International government	10,058	7	(18)	10,047
Corporate debt securities	305,492	2,414	(3,005)	304,901
Mortgage-backed securities	133,778	1,718	(17)	135,479
Asset-backed securities	7,366	4	(58)	7,312
Collateralized mortgage obligations	31,239	388	(134)	31,493
Domestic equity securities				
Mutual funds				
Large blend	56,164	625	(2,573)	54,216
Large value	23,791	318	(564)	23,545
Medium growth	11,040	122	(1,039)	10,123
Small blend	8,001	43	(504)	7,540
Small value	18,624	23	(569)	18,078
Investment grade bonds	2,386	41	(3)	2,424
U S Treasury	717	54	—	771
Other	5,065	121	(623)	4,563
Foreign equity securities				
Mutual funds				
Large blend	31,435	201	(2,581)	29,055
Large value	8,529	—	(1,155)	7,374
Other	9	—	—	9
Total	$ 757,808	$ 7,630	$ (12,862)	$ 752,576

	2010			
	Amortized cost	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Debt				
U S government securities	$ 122,159	$ 2,623	$ (2,091)	$ 122,691
Municipals	18,945	156	(333)	18,768
Commercial paper	4,251	—	(11)	4,240
International government	19,502	229	(10)	19,721
Corporate debt securities	305,621	11,426	(1,050)	315,997
Mortgage-backed securities	142,659	2,366	(1,109)	143,916
Asset-backed securities	8,760	45	(12)	8,793
Collateralized mortgage obligations	58,387	1,772	(336)	59,823
Domestic equity securities				
Mutual funds				
Large blend	70,176	8,640	(253)	78,563
Large value	50,558	4,463	—	55,021
Medium growth	14,950	3,330	—	18,280
Small blend	4,956	805	—	5,761
Small value	18,686	1,642	(11)	20,317
Investment grade bonds	2,491	37	(2)	2,526
U S Treasury	5,218	30	(5)	5,243
Other	3,346	265	(33)	3,578
Foreign equity securities				
Mutual funds				
Large blend	38,961	3,838	(550)	42,249
Large value	8,529	338	(99)	8,768
Other	454	—	(3)	451
Other	15	—	—	15
Total	$ 898,624	$ 42,005	$ (5,908)	$ 934,721

Contractual maturities of debt securities held as of December 31, 2011 include the following (in thousands)

	Fair value				
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years	Total fair value
Debt					
U S government securities	$ 3,275	$ 30,643	$ 44,055	$ 1,982	$ 79,955
Municipals	1,655	7,689	8,277	7,570	25,191
Commercial paper	500	—	—	—	500
International government	5,100	4,850	97	—	10,047
Corporate debt securities	27,058	186,190	84,668	6,985	304,901
Mortgage-backed securities	37,038	260	7,400	90,781	135,479
Asset-backed securities	—	1,630	4,903	779	7,312
Collateralized mortgage obligations	—	1,900	9,383	20,210	31,493
Total	$ 74,626	$ 233,162	$ 158,783	$ 128,307	$ 594,878

Securities not due at a single maturity date are reflected in the table above by its final maturity date

Unsettled trade receivables are $17,000 and $118,000 as of December 31, 2011 and 2010, respectively, and are a component of accounts receivable on the accompanying consolidated balance sheets Unsettled trade payables are $160,020,000 and $4,065,000 as of December 31, 2011 and 2010, respectively, and are a component of accounts payable on the accompanying consolidated balance sheets

The Group records investment income net of related expenses and consists of the following as of December 31, 2011 and 2010 (in thousands)

	2011	2010
Interest	$ 30,762	$ 29,135
Realized gains on sale	49,722	20,180
Realized losses on sale	(3,836)	(1,072)
Dividends and capital gains	4,635	7,734
Amortization, accretion, and other	(7,477)	(5,820)
OTTI	—	(3)
Total investment income	$ 73,806	$ 50,154

The Group evaluates investment securities for OTTI losses based on qualitative and quantitative factors The amount of the credit component of OTTI losses on fixed income securities recognized in income was zero and $3,000 in 2011 and 2010, respectively The portion of the OTTI losses from noncredit-related factors was zero in 2011 and 2010

The following tables show the gross unrealized losses and fair value of the Group's investments with unrealized losses. These securities are aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2011 and 2010 (in thousands).

	Less than 12 months		12 months or greater		Total	
2011	**Fair value**	**Unrealized losses**	**Fair value**	**Unrealized losses**	**Fair value**	**Unrealized losses**
Debt						
U.S. government securities	$ 12,207	$ (12)	$ —	$ —	$ 12,207	$ (12)
Municipals	1,952	(7)	—	—	1,952	(7)
International government	9,847	(18)	—	—	9,847	(18)
Corporate debt securities	139,226	(2,954)	1,133	(51)	140,359	(3,005)
Mortgage-backed securities	4,051	(17)	—	—	4,051	(17)
Asset-backed securities	5,649	(55)	243	(3)	5,892	(58)
Collateralized mortgage obligations	13,177	(129)	79	(5)	13,256	(134)
Domestic equity securities						
Mutual funds						
Large blend	47,347	(2,315)	569	(258)	47,916	(2,573)
Large value	7,226	(564)	—	—	7,226	(564)
Medium growth	8,001	(1,039)	—	—	8,001	(1,039)
Small blend	5,497	(504)	—	—	5,497	(504)
Small value	14,925	(557)	47	(12)	14,972	(569)
Investment grade bonds	177	(2)	26	(1)	203	(3)
Other	1,629	(623)	2	—	1,631	(623)
Foreign equity securities						
Mutual funds						
Large blend	26,978	(2,116)	661	(465)	27,639	(2,581)
Large value	7,374	(1,155)	—	—	7,374	(1,155)
Total	$ 305,263	$ (12,067)	$ 2,760	$ (795)	$ 308,023	$ (12,862)

2010	Less than 12 months Fair value	Less than 12 months Unrealized losses	12 months or greater Fair value	12 months or greater Unrealized losses	Total Fair value	Total Unrealized losses
Debt						
U.S. government securities	$ 56,815	$ (2,091)	$ —	$ —	$ 56,815	$ (2,091)
Municipals	9,222	(333)	—	—	9,222	(333)
Commercial paper	3,741	(11)	—	—	3,741	(11)
International government	6,589	(10)	—	—	6,589	(10)
Corporate debt securities	91,990	(1,023)	823	(27)	92,813	(1,050)
Mortgage-backed securities	64,360	(1,109)	—	—	64,360	(1,109)
Asset-backed securities	3,444	(6)	176	(6)	3,620	(12)
Collateralized mortgage obligations	10,907	(333)	105	(3)	11,012	(336)
Domestic equity securities						
Mutual funds						
Large blend	4	—	814	(253)	818	(253)
Small value	—	—	190	(11)	190	(11)
Investment grade bonds	123	(2)	—	—	123	(2)
U.S. Treasury	190	(5)	—	—	190	(5)
Other	13	(1)	144	(32)	157	(33)
Foreign equity securities						
Mutual funds						
Large blend	507	(158)	987	(392)	1,494	(550)
Large value	3,904	(99)	—	—	3,904	(99)
Other	430	(3)	—	—	430	(3)
Total	$ 252,239	$ (5,184)	$ 3,239	$ (724)	$ 255,478	$ (5,908)

The unrealized losses in the Group's investments in 2011 were due primarily to declines in the values of U.S. and international equity markets as a majority of the Group's equity investments are in managed equity index mutual funds and exchange traded funds. The unrealized losses in corporate debt securities was primarily due to markets favoring low risk fixed income securities such as U.S. Treasury bonds more than credit spread fixed income securities, such as corporate debt securities. The majority of debt security positions are investment grade and rated high quality, AA, or higher by Standard & Poor's rating agency. Securities with contractual payments are current and no payments were missed in 2011. The Group has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, and considers these investments to be temporarily impaired.

(4) External Delivery Services Payable

Activity in the external delivery services payable for unpaid claims and claim adjustment expenses is summarized as follows (in thousands)

	2011	2010
Balances at January 1	$ 231,667	$ 200,216
Incurred related to		
Current year	1,885,808	1,698,294
Prior years	(6,065)	(3,431)
Total incurred	1,879,743	1,694,863
Paid related to		
Current year	1,641,238	1,492,643
Prior years	216,114	170,769
Total paid	1,857,352	1,663,412
Balances at December 31	$ 254,058	$ 231,667

Amounts incurred related to prior years vary from previously estimated liabilities as the claims are ultimately adjudicated and paid Liabilities at any year end are continually reviewed and re-estimated as information regarding actual claims payments becomes known This information is compared to the originally established year end liability Amounts reported for incurred related to prior years result from claims being adjudicated and paid for amounts different than originally estimated In 2011, as discussed in Note 2, the Group made improvements to its method of estimating external delivery services payable

(5) Medical Loss Ratio

Effective January 1, 2011, as part of the Patient Protection and Affordable Care Act (Health Care Reform), minimum medical loss ratios (MLR) were mandated for all commercial fully insured medical plans with annual rebates owed to policyholders if the actual loss ratios, calculated in a manner prescribed by the U S Department of Health and Human Services (HHS), fall below certain targets (85% for large employer groups and 80% for small employer groups and individuals) HHS issued guidance specifying the types of costs that should be included in benefit expense for purposes of calculating medical loss ratios The Group's medical loss ratios were above the minimum target levels and no liability for rebates was recorded in 2011

(6) Borrowing Arrangements

GHC issued new borrowings to refinance certain indebtedness and for its general corporate purposes in April 2010 The Series 2010 taxable commercial paper notes were offered as part of a commercial paper financing program under which notes may be issued from time to time up to the aggregate face amount of $75,000,000 The notes may be sold at a discount from the par amount to reflect an interest component to the maturity date The maturity date of the notes will be 1 to 270 days and the notes are not subject to redemption prior to the maturity date The notes are secured by GHC's gross receivables, certain

(Continued)

equipment, and a lien on certain real property. The issued notes outstanding are shown as short-term borrowings on the consolidated balance sheets.

Revenue bonds were issued through the Washington Health Care Facilities Authority (the Authority). As security for the repayment of the bonds, GHC has granted the Authority a security interest in its gross receivables, bond funds, and liens against certain facilities and equipment. The loan agreements for the revenue bonds require, among other restrictions, that GHC achieve certain minimum debt service coverage ratios. Management believes GHC was in compliance with all debt covenants at December 31, 2011 and 2010.

Long-term debt at December 31, 2011 and 2010 consists of the following (in thousands):

	Years of maturity		2011		2010
Revenue bonds:					
Series 2001, 4.00% to 5-3/8%, plus bond premium of $616 and $812 in 2011 and 2010, respectively	2011 – 2019	$	45,182	$	49,748
Series 2006, 4-1/2% to 5.00%, plus bond premium of $1,602 and $1,686 in 2011 and 2010, respectively	2022 – 2036		99,567		99,651
Other			4		4
Subtotal			144,753		149,403
Less current portion			(4,850)		(4,655)
Total long-term debt		$	139,903	$	144,748

Future annual principal payments on long-term debt for each of the next five years and thereafter at December 31, 2011 are as follows (in thousands):

Years ending December 31:		
2012	$	4,595
2013		4,815
2014		5,075
2015		5,400
2016		5,690
Thereafter		116,960
Subtotal		142,535
Add unamortized premium and discount, net		2,218
Total	$	144,753

Interest paid during 2011 and 2010 was $5,201,000 and $8,241,000, respectively. Interest expense was $(2,032,000) and $8,182,000 during 2011 and 2010, respectively, and the amount of interest capitalized was $271,000 and $147,000 in 2011 and 2010, respectively. The effect of the interest rate swap decreased interest expense by $9,874,000 and $2,539,000 in 2011 and 2010, respectively.

(7) Derivative Financial Instruments

GHC is exposed to the effects of changing interest rates. This exposure is managed, in part, with the use of derivatives. In January 2007, GHC entered into an interest rate swap with Citigroup on the 2006 Series bonds as part of the effort to rebalance the mix of variable and fixed rate exposure. The swap entitles GHC to receive payments based on a fixed rate and pay a variable rate based on the Securities Industry and Financial Markets Association Municipal Swap Index. The terms include a provision to cap the market value of the swap at $22,500,000, and a par termination option with a term to match the call provision of the 2006 Series bonds. GHC has elected to account for the swap as a free standing derivative, therefore, changes in the fair value are recorded in earnings. The notional amount of this derivative is $75,000,000.

(8) Disclosure about Fair Value of Financial Instruments

Assets and liabilities that are recorded at fair value are required to be grouped in three levels, based on the markets in which the assets and liabilities are traded and the observability of the inputs used to determine fair value. The three levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets. At December 31, 2011, Level 1 securities include primarily U.S. government bonds and mutual funds.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. At December 31, 2011, Level 2 securities include primarily U.S. government and international government bonds, municipal bonds, commercial paper, corporate bonds, asset-backed and mortgage-backed securities, and collateralized mortgage obligations.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Group's estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of discounted cash flow models and similar techniques. At December 31, 2011, Level 3 instruments include primarily a guaranteed investment contract, an interest rate swap, and real estate.

Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group maximizes the use of observable inputs and minimizes the use of unobservable inputs when developing fair value measurements. Fair value measurements for assets and liabilities where there is limited or no observable market data and, therefore, are based primarily upon estimates calculated by the Group, based on the economic and competitive environment, the characteristics of the asset or liability, and other factors. Therefore, the results cannot be determined with precision and may not be realized upon an actual settlement of the asset or liability There may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of the current or future values

Following is a description of valuation methods and assumptions used for assets and liabilities recorded at fair value and for estimating fair value for financial instruments not recorded at fair value but required to be disclosed

(a) Assets and Liabilities

The carrying amounts reported in the balance sheets for cash and cash equivalents, accounts receivable – net, accounts payable, external delivery services payable, accrued employee compensation, accrued taxes and interest, and short-term borrowings approximate fair value

(b) Long-Term Debt

Long-term debt is carried at amortized cost, however, accounting standards require the Group to disclose the fair value The fair value of the Group's long-term debt is based on quoted market prices in markets that are not active, which are Level 2 inputs The fair value of the long-term debt was $132,693,000 and $133,005,000 as of December 31, 2011 and 2010, respectively

(c) *Marketable Securities, Funds Held by Trustee, and Interest Rate Swap*

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2011 and 2010 (in thousands)

	Fair value measurements at December 31, 2011 using			
	Fair value	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Available-for-sale securities				
Debt				
U S government securities	$ 79,955	$ 58,122	$ 21,833	$ —
Municipals	25,191	—	25,191	—
Commercial paper	500	—	500	—
International government	10,047	—	10,047	—
Corporate debt securities	304,901	—	304,901	—
Mortgage-backed securities	135,479	—	135,479	—
Asset-backed securities	7,312	—	7,312	—
Collateralized mortgage obligations	31,493	—	31,493	—
Domestic equity securities				
Mutual funds				
Large blend	54,216	54,216	—	—
Large value	23,545	23,545	—	—
Medium growth	10,123	10,123	—	—
Small blend	7,540	7,540	—	—
Small value	18,078	18,078	—	—
Investment grade bonds	2,424	2,424	—	—
U S Treasury	771	771	—	—
Other	4,563	4,563	—	—
Foreign equity securities				
Mutual funds				
Large blend	29,055	29,055	—	—
Large value	7,374	7,374	—	—
Other	9	—	—	9
Total available-for-sale securities	$ 752,576	$ 215,811	$ 536,756	$ 9
Funds held by trustee				
Guaranteed investment contract	$ 8,848	$ —	$ —	$ 8,848
Total funds held by trustee	$ 8,848	$ —	$ —	$ 8,848
Interest rate swap	$ 6,910	$ —	$ —	$ 6,910

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Notes to Consolidated Financial Statements

December 31, 2011 and 2010

	Fair value measurements at December 31, 2010 using			
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Available-for-sale securities				
Debt				
U.S. government securities	$ 122,691	$ 86,145	$ 36,546	$ —
Municipals	18,768	—	18,768	—
Commercial paper	4,240	—	4,240	—
International government	19,721	—	19,721	—
Corporate debt securities	315,997	—	315,997	—
Mortgage-backed securities	143,916	—	143,916	—
Asset-backed securities	8,793	—	8,793	—
Collateralized mortgage obligations	59,823	—	59,823	—
Domestic equity securities				
Mutual funds				
Large blend	78,563	78,563	—	—
Large value	55,021	55,021	—	—
Medium growth	18,280	18,280	—	—
Small blend	5,761	5,761	—	—
Small value	20,317	20,317	—	—
Investment grade bonds	2,526	2,526	—	—
U.S. Treasury	5,243	5,243	—	—
Other	3,578	3,578	—	—
Foreign equity securities				
Mutual funds				
Large blend	42,249	42,249	—	—
Large value	8,768	8,768	—	—
Other	451	451	—	—
Other	15	6	—	9
Total available-for-sale securities	$ 934,721	$ 326,908	$ 607,804	$ 9
Funds held by trustee				
Guaranteed investment contract	$ 8,848	$ —	$ —	$ 8,848
Total funds held by trustee	$ 8,848	$ —	$ —	$ 8,848
Interest rate swap	$ (49)	$ —	$ —	$ (49)

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows (in thousands)

	Fair value measurements using significant unobservable inputs (Level 3)			
	Available-for-sale securities	**Funds held by trustee**	**Interest rate swap**	**Total**
Beginning balance at January 1, 2010	$ 9	$ 8,848	$ 251	$ 9,108
Total unrealized losses included in changes in net assets	—	—	(300)	(300)
Ending balance at December 31, 2010	9	8,848	(49)	8,808
Total unrealized gains included in changes in net assets	—	—	6,959	6,959
Ending balance at December 31, 2011	$ 9	$ 8,848	$ 6,910	$ 15,767

There were no significant transfers between assets with inputs with quoted prices in active markets for identical assets (Level 1) and assets with inputs with significant other observable inputs (Level 2) during the years ended December 31, 2011 and 2010

(9) Pension Plans

The Group sponsors two defined benefit plans (the Plans), a defined contribution plan, three 401(k) plans, a 403(b) plan, and contributes to several union negotiated plans that collectively cover substantially all of its employees The Group's policy is to fund pension costs for the Plans based on actuarially determined funding requirements, thereby accumulating funds adequate to provide for all accrued benefits Contributions for the defined contribution plan are based on a percentage of covered employees' salaries Matching contributions to the 401(k) and 403(b) plans are based on a percentage of participants' contributions as set forth in the plan agreement The total expense for the defined benefit plans was \$22,848,000 and \$25,497,000 in 2011 and 2010, respectively, and the total expense for the other plans was \$25,278,000 and \$23,920,000 in 2011 and 2010, respectively

KPS amended its defined benefit pension plan to freeze benefits in 2009 As a result, each active participant's pension benefit was determined based on the participant's compensation and duration of employment The most significant financial effect is that no new benefits are being accrued after the date of freeze

For the defined benefit plans, the actuarial cost method used in determining the net periodic pension cost is the projected unit credit cost method At December 31, 2011 and 2010, net periodic pension expense related to the Group's participation in the Plans for 2011 and 2010 included the following components (in thousands)

		2011		2010
Service cost	$	21,977	$	20,715
Interest cost on projected benefits		28,860		27,734
Expected return on plan assets		(39,922)		(34,414)
Amortization of net loss		11,933		11,462
Net periodic benefit cost	$	22,848	$	25,497
Discount rate (preretirement)		5 40% – 6 00%		5 90% – 6 00%
Discount rate (postretirement)		5 60 – 6 00		5 90 – 6 00
Rate of increase in compensation levels		4 00		5 00
Expected return on plan assets		7 25 – 8 50		7 25 – 8 50

The Plans' funded status and amounts included in unrestricted net assets to be recognized as a component of net periodic pension cost as of December 31, 2011 and 2010 are shown in the following table (in thousands)

		2011		2010
Change in projected benefit obligation				
Projected benefit obligation – beginning of year	$	554,528	$	486,504
Service cost		21,977		20,715
Interest cost		28,860		27,734
Actuarial loss		53,960		35,321
Employee contributions		2,057		1,998
Benefits paid		(20,430)		(17,744)
Projected benefit obligation – end of year		640,952		554,528
Change in plan assets				
Fair value of plan assets – beginning of year		481,877		424,404
Actual return on plan assets		(5,972)		50,844
Employer contributions		21,200		22,375
Employee contributions		2,057		1,998
Benefits paid		(20,430)		(17,744)
Fair value of plan assets – end of year		478,732		481,877
Funded status	$	(162,220)	$	(72,651)
Amounts recognized in unrestricted net assets consist of				
Net actuarial loss	$	222,199	$	134,278
Accumulated benefit obligation – end of year		601,120		516,617
Discount rate (preretirement)		4 80% – 5 05%		5 40% – 5 50%
Discount rate (postretirement)		4 75 – 4 80		5 50 – 5 60
Rate of increase in compensation levels		0 00 – 4 00		0 00 – 4 00

The funded status is recorded as a component of noncurrent liabilities as of December 31, 2011 and 2010 in the consolidated balance sheets

Certain of the Group's employees are covered by union-sponsored, collectively bargained, multi-employer defined benefit plans Contributions are determined in accordance with the provisions of negotiated labor contracts

(a) Investment Policies and Strategies

The Group has adopted investment policies for its defined benefit plans that incorporate a strategic, long-term asset allocation mix designed to best meet its long-term pension obligations Plan fiduciaries set the investment policies and strategies for the pension trust This includes the following

- Selecting investment managers
- Setting long-term and short-term target asset allocations
- Periodic review of the target asset allocations, and, if necessary, to make adjustments based on changing economic and market conditions
- Monitoring the actual asset allocations, and, when necessary, rebalancing to the current target allocation

As of December 31, 2011 and 2010, the following table summarizes the target allocation range defined in the investment policies compared to the actual allocations of the Group's plan assets

	2011		2010	
	Target allocation	**Actual allocation**	**Target allocation**	**Actual allocation**
Equity securities	33% – 57%	43%	30% – 60%	58%
Debt securities	18 – 60	52	20 – 50	36
Cash equivalents	0 – 5	—	0 – 5	1
Other investments	0 – 10	5	0 – 10	5

The investment policy emphasizes the following key objectives

- Maintain a diversified portfolio among various asset classes and investment managers
- Invest in a prudent manner for the exclusive benefit of plan participants
- Preserve the funded status of the plan
- Balance between acceptable level of risk and maximizing returns
- Maintain adequate control over administrative costs
- Maintain adequate liquidity to meet expected benefit payments

(b) Expected Long-Term Rate of Return on Assets

The Group uses a "building block" approach to determine the expected rate of return on plan assets assumption for the Plans This approach analyzes historical long-term rates of return for various investment categories, as measured by appropriate indexes The rates of return on these indexes are then weighted based upon the percentage of plan assets in each applicable category to determine a composite expected return The Group reviews its expected rate of return assumption annually However, this is considered to be a long-term assumption and hence not anticipated to change annually, unless there are significant changes in economic and market conditions

There are required employer contributions expected to be made to the Plans in 2012 of $40,300,000

Expected amounts to be recognized as components of 2012 net periodic pension cost are as follows (in thousands)

Service cost	$	25,186
Interest cost on projected benefits		31,052
Expected return on plan assets		(41,565)
Amortization of net loss		21,496
Net periodic pension cost	$	36,169

The estimated net loss amount will be amortized from unrestricted net assets into net periodic benefit cost

The benefits expected to be paid in each of the next five years, and in the aggregate for the five fiscal years thereafter, as of December 31, 2011 are as follows (in thousands)

Years ending December 31		
2012	$	49,836
2013		47,408
2014		48,799
2015		48,180
2016		50,284
2017 – 2021		244,797
Total	$	489,304

(c) *Fair Value of Pension Assets*

The Group's pension assets are reported at fair value and are required to be grouped in three levels, based on the markets in which they are traded and the observability of the inputs used to determine fair value The three levels are

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets At December 31, 2011, Level 1 securities include primarily common stocks, corporate bonds, and mutual funds
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market At December 31, 2011, Level 2 securities include primarily commingled trusts and trust index funds
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market These unobservable assumptions reflect the Group's estimates of assumptions that market participants would use in pricing the asset Valuation techniques include use of discounted cash flow models and similar techniques At December 31, 2011, Level 3 securities include commingled trusts, a limited partnership and private equity

The table below presents the balances of plan assets measured at fair value on a recurring basis as of December 31, 2011 and 2010 (in thousands)

		Fair value measurements at December 31, 2011 using		
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Plan assets				
Cash and cash equivalents	$ 4,552	$ 4,552	$ —	$ —
Commingled trusts	157,162	—	140,554	16,608
Common stocks	161,056	161,056	—	—
Limited partnership	47,306	—	—	47,306
Private equity	1,833	—	—	1,833
Trust index fund	12,323	—	12,323	—
Mutual funds				
Domestic equities				
Large blend	11,671	11,671	—	—
Long-term bond	11,857	11,857	—	—
Intermediate-term bond	68,621	68,621	—	—
Foreign equities				
Large blend	2,351	2,351	—	—
Total plan assets	$ 478,732	$ 260,108	$ 152,877	$ 65,747

	Fair value measurements at December 31, 2010 using			
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Plan assets				
Cash and cash equivalents	$ 10,288	$ 10,285	$ 3	$ —
Commingled trusts	121,128	—	110,935	10,193
Common stocks	206,732	206,732	—	—
Limited partnership	20,687	—	—	20,687
Limited liability corporation	20,495	—	20,495	—
Trust index fund	10,920	—	10,920	—
Mutual funds				
Domestic equities				
Large blend	12,739	12,739	—	—
Long-term bond	4,099	4,099	—	—
Intermediate-term bond	72,644	72,644	—	—
Foreign equities				
Large blend	2,145	2,145	—	—
Total plan assets	$ 481,877	$ 308,644	$ 142,353	$ 30,880

The changes in Level 3 plan assets measured at fair value on a recurring basis are summarized as follows (in thousands)

	Fair value measurements using significant unobservable inputs (Level 3)				
	Commingled trust	Common collective trust	Limited partnership	Private equity	Total
Beginning balance at January 1, 2010	$ 31,740	$ 43,179	$ 36,459	$ —	$ 111,378
Purchases, sales, and settlements	(21,694)	(44,715)	20,000	—	(46,409)
Level transfers	—	(288)	(36,459)	—	(36,747)
Total gains (realized unrealized)	147	1,824	687	—	2,658
Ending balance at December 31, 2010	10,193	—	20,687	—	30,880
Purchases, sales, and settlements	8,197	—	24,652	1,845	34,694
Level transfers	—	—	—	—	—
Total gains (realized unrealized)	(1,782)	—	1,967	(12)	173
Ending balance at December 31, 2011	$ 16,608	$ —	$ 47,306	$ 1,833	$ 65,747
Net unrealized gains relating to assets held at December 31, 2010	$ 147	$ —	$ 687	$ —	$ 834
Net unrealized gains (losses) relating to assets held at December 31, 2011	$ (1,783)	$ —	$ 1,967	$ (11)	$ 173

There were no significant transfers between assets with inputs with quoted prices in active markets for identical assets (Level 1) and assets with inputs with significant other observable inputs (Level 2) during the years ended December 31, 2011 and 2010

(d) Pension Net Asset Valuation

Alternative investments held in the Plans that are reported at net asset value as a practical expedient for fair value are presented by major category (in thousands)

		Fair value	Redemption frequency	Redemption notice period
Commingled trust (a)	$	157,162	Daily, Semi-monthly, Monthly	1 – 15 days
Limited partnership (b)		47,306	Monthly, Quarterly	15 days
Trust index fund (c)		12,323	Monthly	10 days
Private equity (d)		1,833	—	—
Total	$	218,624		

a This category is comprised of five different fund strategies 1) An index fund that invests in treasury inflation protected securities 2) An index fund that invests in U S investment grade bonds 3) An index fund that invests in non-U S global equities 4) An actively managed fund that invests in non-U S developed markets equities (Europe, Australia, Asia and Far East) employing a long-term value approach to stock selection 5) An actively managed fund that invests in emerging market local debt employing a long-term strategy focused on income and capital appreciation

b This category is comprised of an actively managed fund that invests in noninvestment grade bonds employing a long-term strategy focused on income and capital appreciation

c This category is comprised of an index fund that invests in commodity futures

d Private equity investments include both U S and foreign investments with strategies that can include debt, venture capital, buyout, real estate, natural resources, and infrastructure Fair values have been estimated by using either the net asset value per share or the net asset value of GHC's ownership interest in the partners' capital These funds do not allow GHC to submit redemption requests Distributions from these funds will be received as the underlying invests are liquidated Based on the expiration dates of the funds, it is estimated that the underlying assets will be liquidated over the next 3 to 10 years

At December 31, 2011 and 2010, the Plans have outstanding funding commitments totaling $17,825,000 and $0, respectively

(10) Retiree Medical Plans

GHC provides certain medical benefits for eligible retired employees Employees became eligible for these benefits upon retirement, attainment of a specified age, and upon completion of a certain number of years of service

In 2009, GHC completed the curtailment of this benefit The contribution to the premiums for collective bargaining active employees was discontinued This resulted in the final phase out of the benefit In 2008, the phase out of the benefit occurred for the nonunion active employees

At December 31, 2011 and 2010, net periodic postretirement benefit cost is comprised of interest costs on accumulated benefit obligation of $2,098,000 and $2,311,000, respectively

Amounts recognized in unrestricted net assets consisted of net actuarial losses of $2,688,000 and $1,991,000 at December 31, 2011 and 2010, respectively

GHC's accumulated postretirement benefit obligation (APBO) is unfunded The APBO is included in the components of the retiree medical benefits liability on the consolidated balance sheets at December 31, 2011 and 2010, and comprises the following components (in thousands)

		2011		2010
Change in accumulated postretirement benefit obligation				
Accumulated postretirement benefit obligation – beginning of year	$	46,266	$	64,753
Interest cost		2,098		2,311
Plan amendments/curtailment		(355)		(11,483)
Actuarial loss (gain)		697		(4,993)
Benefits paid		(4,295)		(4,322)
Accumulated postretirement benefit obligation – end of year	$	44,411	$	46,266
Change in plan assets				
Employer contributions	$	4,295	$	4,322
Benefits paid		(4,295)		(4,322)

Future benefit costs were estimated assuming medical costs would increase at a 6 90% annual rate A 1 00% increase in this annual trend rate would have increased the APBO at December 31, 2011, by $3,420,000 and the sum of service cost and interest cost for 2011 by $168,000 A 1 00% decrease in this annual trend rate would have decreased the APBO at December 31, 2011 by $3,020,000 and the sum of service cost and interest cost for 2011 by $151,000

The weighted average discount rate used in determining the APBO was 4 70% in 2011 and 2010 The assumptions used to determine the APBO are measured at year-end The weighted average discount rate used in determining the net periodic postretirement benefit cost was 4 75% in 2011 and 5 30% in 2010, and is based on beginning of year assumptions

Expected amounts to be recognized as components of 2012 net periodic postretirement benefit cost are interest cost on projected benefits of $2,009,000

GHC funds the plan as benefit payments are required The expected benefit payments to be paid, and contributions to be made, in each of the next five years, and in the aggregate for the five fiscal years thereafter, as of December 31, 2011, are as follows (in thousands)

Years ending December 31		
2012	$	4,240
2013		4,159
2014		4,068
2015		3,974
2016		3,863
2017 – 2021		17,382
Total	$	37,686

The 2010 national Health Care legislation does not have a material impact on the retiree medical plan

(11) Commitments and Contingencies

(a) Leases

The Group has various operating leases for land, buildings, and equipment Total rent expense was $21,180,000 and $20,008,000 on these leases in 2011 and 2010, respectively Total sublease rental revenue was $3,806,000 and $2,504,000 in 2011 and 2010, respectively, and is recorded as a component of other revenue Future minimum rental payments and future minimum sublease rental receipts under noncancelable operating lease and sublease agreements as of December 31, 2011 are as follows (in thousands)

		Minimum sublease rental receipts		Minimum rental payments
Years ending December 31				
2012	$	2,802	$	22,740
2013		2,605		24,200
2014		1,240		21,765
2015		922		19,558
2016		785		21,307
Thereafter		586		33,815
Total	$	8,940	$	143,385

GHC entered into a sale-leaseback transaction in 2006 involving the sale of its administrative main building located in Tukwila, Washington, and then entered into a 10-year operating lease with the purchaser The gain on sale was deferred and is being amortized over 120 months with the amortization recorded in other expense in the consolidated statements of operations and changes in net assets The deferred gain is a component of unearned premiums and deposits and other noncurrent liabilities in the consolidated balance sheets in the amount of $13,370,000 and $16,288,000 as of December 31, 2011 and 2010, respectively

(b) Labor

Approximately 62% of GHC's employees are covered under collective bargaining agreements These employees provide nursing and other technical services to GHC Approximately 45% of the collective bargaining agreements expire in one year Bargaining disputes could adversely affect GHC

(c) Litigation

The Group is involved in litigation and regulatory investigations arising in the normal course of business After consultation with legal counsel, management estimates accruals, if any, that are necessary related to these matters Management believes the recorded amounts are adequate and the ultimate outcome of the matters will not have a material adverse effect on the Group's consolidated financial position or results of operations

(d) Government Contracts

The Group's Medicare business primarily consists of products covered under MA and MA-PD contracts with the federal government CMS performs coding audits to validate the supporting documentation maintained by health plans and their care providers These coding audits may result in retrospective payment adjustments to health plans

(e) Guarantees

In December 2005, GHC signed a joint venture agreement with City Investors V LLC, a real estate development company controlled by the Vulcan Corporation, to form Westlake Terry LLC GHC has a 50% ownership interest in Westlake Terry LLC in the amount of $3,052,000 and $4,227,000 as of December 31, 2011 and 2010, respectively Under the agreement, the joint venture developed two adjacent buildings totaling 319,000 square feet located in Seattle, Washington, with GHC a major tenant of the facility with a 10-year operating lease agreement GHC, GHO, and the Foundation moved their administrative headquarters to this site in August 2007

In May 2006, GHC and City Investors V LLC entered into loan guarantees with Westlake Terry, LLC's lenders, relating to its construction and long-term financing In May 2008, the construction guarantees were eliminated Management believes the likelihood of performance on the remaining guarantees to be remote and, therefore, has not recorded a related liability

GHC's guaranty to the lender is now fully nonrecourse, absent fraud or default under certain loan obligations, in which event GHC and City Investors V LLC remain jointly and severally liable for repayment of the loan in full, until the loan has been satisfied

(f) Contingencies

GHC contracts with the Office of Personnel Management (OPM) as a community-rated carrier under the Federal Employee Health Benefits Program (FEHBP) During 2009, a regularly scheduled audit was conducted by the Office of Inspector General (OIG) on behalf of OPM In September 2010, GHC received the OIG's audit report with its findings and recommendations that included a defective pricing claim that is estimated at approximately $31,000,000 plus interest The audit issues were resolved in April 2012 without a material effect on the Group's consolidated financial statements

(12) Federal Income Taxes

The components of income tax expense for GHO and KPS related to continuing operations and the change in unrestricted net assets for the years ended December 31, 2011 and 2010 are summarized as follows (in thousands)

	2011	2010
Federal income tax expense on operations	$ 5,684	$ 3,245
Federal income tax (benefit) included in the change in unrestricted net assets	(963)	(216)
Federal income tax expense	$ 4,721	$ 3,029

Federal income tax expense on operations is recognized as a component of other expenses in the consolidated statements of operations and changes in net assets Federal income tax (benefit) included in the change in unrestricted net assets is recognized as a component of changes in net unrealized investment gains and losses and the change in defined benefit pension and other postretirement plans in the consolidated statements of operations and changes in net assets

The deferred tax asset is recorded within other current assets and noncurrent assets and the deferred tax liability is recorded as a component of accrued taxes and interest and in other noncurrent liabilities in the accompanying consolidated balance sheets in the following amounts (in thousands)

	2011	2010
Deferred tax asset	$ 9,526	$ 10,843
Deferred tax liability	(2,031)	(1,089)
Valuation allowance	(5,915)	(4,917)
Net deferred tax asset	$ 1,580	$ 4,837

Deferred tax assets primarily relate to the tax effects of temporary differences associated with pension liabilities, buildings and improvements, postretirement accruals and capital and net operating loss carryforwards The deferred tax liability results primarily from temporary differences in unrealized investment gains and pension accruals A valuation allowance has been provided for the net deferred tax asset as management believes it is more likely than not that the entire amount will not be realized

At December 31, 2011, the Group has net operating loss carryforwards for federal income tax purposes of $12,719,000, which expire between 2019 through 2030

(13) Endowments

Endowment funds held at the Foundation consist of approximately 40 individual funds established for a variety of purposes and are all donor-restricted The change in net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions Donor-restricted endowment assets were $10,117,000 and $10,497,000 at December 31, 2011 and 2010, respectively, and are recorded in temporary and permanent restricted net assets

The State of Washington Uniform Prudent Management of Institutional Funds Act of 2009 (the Act) requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary As a result, the Foundation classifies as permanently restricted net assets, the original value of gifts donated to the permanent endowment funds, the original value of subsequent gifts to the permanent endowment fund, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation was added to the fund

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Act, unless otherwise stipulated by the donor In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds

- The duration and preservation of the endowment funds
- The purposes of the Foundation and the endowment funds
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of GHC and the Foundation
- The investment policy of the Foundation

The Foundation has adopted spending and investment policies for endowment assets that are consistent with the provisions of the Act

The Foundation policy limits spending in any calendar year to 5% of the fair market value of the endowments' three-year moving average The Foundation may in any year choose to spend less than 5% The Foundation may also choose to charge up to 1% of the endowment market value as an annual management fee Total annual spending, including both management fee and spending allocations, cannot exceed the 5% limit Newly received and named endowment funds are invested for one year before disbursements are made

Under the investment policy, a diversified asset allocation is used consisting of equity securities and cash equivalents

(14) Statutory Net Worth

GHC, GHO, and KPS (the Companies) are required to periodically file financial statements with regulatory agencies in accordance with statutory accounting and reporting practices The Companies must comply with the minimum regulatory net worth requirements under the regulations of the Washington State Office of the Insurance Commissioner Such requirements are generally based on 100% risk-based capital The regulatory net worth, so defined, at December 2011 and 2010 was $611,054,000 and $728,162,000, respectively These balances exceed the minimum regulatory requirements at December 31, 2011 and 2011 by approximately $574,848,000 and $691,281,000, respectively

(15) Columbia Medical Associates Acquisition

Effective July 31, 2011, GHC acquired control of CMA GHC acquired CMA in order to provide a broader integrated system of medical care in the Spokane, Washington market The transaction was accounted for under the acquisition method of accounting which resulted in a bargain purchase gain of $1,434,000 and is recorded as a component of other revenue in the consolidated statement of operations and changes in net assets The fair value of the assets acquired and liabilities assumed at the date of the CMA acquisition was $3,747,000

There were two transactions that were recognized separately from the acquisition Estimated future payments of $4,284,000 will be made to the prior owners along with a forgiveness of a loan balance of $2,653,000 These payments are contingent on post-acquisition services in which the consideration payments and loan forgiveness are automatically forfeited if employment terminates

(16) Subsequent Events

Subsequent events are events or transactions that occur after the consolidated balance sheet date but before financial statements are issued that provide additional evidence about conditions that existed at the date of the balance sheet The Group has evaluated subsequent events for recognition or disclosure through April 13, 2012, the date these consolidated financial statements were issued

SUPPLEMENTAL INFORMATION

GROUP HEALTH COOPERATIVE
AND SUBSIDIARIES

Supplemental Consolidating Balance Sheet

December 31, 2011

(In thousands)

Assets	GHC & Auxiliary Consolidated	GHO	Foundation	KPS	CMA	Eliminations	Total
Current assets:							
Cash and cash equivalents	$ 331,522	$ 23,497	$ 744	$ 2,353	$ —	$ —	$ 358,116
Short-term marketable securities	25,499	8,274	—	3,815	—	—	37,588
Accounts receivable – net	116,552	10,791	15	20,120	1,454	(2,755)	146,177
Receivable from affiliate	2,046	2,440	—	21	—	(4,507)	—
Inventories	23,720	—	—	—	—	—	23,720
Other	22,875	4,238	—	1,074	63	—	28,250
Total current assets	522,214	49,240	759	27,383	1,517	(7,262)	593,851
Long-term marketable securities	531,100	153,763	16,396	13,729	—	—	714,988
Funds held by trustee	8,848	—	—	—	—	—	8,848
Land, buildings, and equipment:							
Land	26,553	—	—	213	—	—	26,766
Buildings and improvements	576,738	—	—	7,495	1,431	—	585,664
Equipment	444,198	—	—	8,058	412	—	452,668
Construction in progress	21,835	—	—	—	—	—	21,835
Total land, buildings, and equipment	1,069,324	—	—	15,766	1,843	—	1,086,933
Less accumulated depreciation	(651,419)	—	—	(15,230)	(196)	—	(666,845)
Land, buildings, and equipment – net	417,905	—	—	536	1,647	—	420,088
Other assets	185,626	1,046	2,220	4,043	1,945	(154,138)	40,742
Total	$ 1,665,693	$ 204,049	$ 19,375	$ 45,691	$ 5,109	$ (161,400)	$ 1,778,517

GROUP HEALTH COOPERATIVE
AND SUBSIDIARIES

Supplemental Consolidating Balance Sheet

December 31, 2011

(In thousands)

Liabilities and Net Assets		GHC & Auxiliary Consolidated		GHO		Foundation		KPS		CMA		Eliminations		Total
Current liabilities:														
Accounts payable	$	235 780	$	4 072	$	538	$	14 709	$	997	$	—	$	256 096
External delivery services payable		199 943		45 639		—		12 092		—		(3 616)		254 058
Unearned premiums and deposits		33 678		25 070		—		2 356		—		—		61 104
Accrued employee compensation		51 282		89		—		1 273		473		—		53 117
Accrued taxes and interest		11 948		5 889		—		301		—		—		18 138
Short-term borrowings		8 998		—		—		—		—		—		8 998
Current portion of long-term debt		4 846		—		—		4		—		—		4 850
Current portion of reserve for self-insurance		16 369		—		—		—		—		—		16 369
Current portion of retiree medical benefits		4 240		—		—		—		—		—		4 240
Liability to affiliate		2 461		—		981		111		—		(3 553)		—
Total current liabilities		569 545		80 759		1 519		30 846		1 470		(7 169)		676 970
Noncurrent liabilities:														
Long-term debt		139 903		—		—		—		—		—		139 903
Self-insurance		44 461		—		—		—		—		—		44 461
Retiree medical benefits		40 171		—		—		—		—		—		40 171
Pension		158 756		—		—		3 464		—		—		162 220
Other		29 141		—		1 313		715		—		(93)		31 076
Total noncurrent liabilities		412 432		—		1 313		4 179		—		(93)		417 831
Total liabilities		981 977		80 759		2 832		35 025		1 470		(7 262)		1 094 801
Commitments and contingencies (note 11)														
Net assets:														
Unrestricted		671 436		123 290		4 263		10 666		3 639		(141 828)		671 466
Temporarily restricted		4 173		—		4 173		—		—		(4 173)		4 173
Permanently restricted		8 107		—		8 107		—		—		(8 137)		8 077
Total net assets		683 716		123 290		16 543		10 666		3 639		(154 138)		683 716
Total	$	1 665 693	$	204 049	$	19 375	$	45 691	$	5 109	$	(161 400)	$	1 778 517

See accompanying independent auditors' report.

GROUP HEALTH COOPERATIVE AND SUBSIDIARIES

Supplemental Consolidating Statement of Operations and Changes in Net Assets

Year ended December 31, 2011

(In thousands)

	GHC & Auxiliary Consolidated	GHO	Foundation	KPS	CMA	Eliminations	Total
Revenues:							
Premium revenue	$ 2,022,554	$ 1,015,870	$ —	$ 126,780	$ —	$ (8,815)	$ 3,156,389
Clinical service	245,934	—	—	—	6,704	(17,990)	234,648
Other	757,501	6,862	5,597	8,872	250	(675,817)	103,265
Total operating revenues	3,025,989	1,022,732	5,597	135,652	6,954	(702,622)	3,494,302
Expenses:							
External delivery service	1,491,164	873,746	—	117,495	—	(602,662)	1,879,743
Employee compensation	624,072	781	75	6,936	3,279	(10,863)	624,280
Group Health Permanente expense	321,511	—	—	—	2,322	—	323,833
Medical and operating supplies	283,961	54	33	54	393	(10)	284,485
Other expenses	195,564	59,064	4,231	6,207	1,625	(2,420)	264,271
Services purchased	137,178	86,088	908	3,385	700	(86,667)	141,592
Depreciation	56,808	—	—	190	294	—	57,292
Total operating expenses	3,110,258	1,019,733	5,247	134,267	8,613	(702,622)	3,575,496
Operating income (loss)	(84,269)	2,999	350	1,385	(1,659)	—	(81,194)
Nonoperating income (expense):							
Investment income (loss)	76,900	4,767	(165)	443	—	(8,139)	73,806
Interest income (expense)	2,013	(6)	—	25	—	—	2,032
Total other income (expense)	78,913	4,761	(165)	468	—	(8,139)	75,838
(Deficit) excess of revenues over expenses	$ (5,356)	$ 7,760	$ 185	$ 1,853	$ (1,659)	$ (8,139)	$ (5,356)

GROUP HEALTH COOPERATIVE
AND SUBSIDIARIES

Supplemental Consolidating Statement of Operations and Changes in Net Assets

Year ended December 31, 2011

(In thousands)

	GHC & Auxiliary Consolidated	GHO	Foundation	KPS	CMA	Eliminations	Total
(Deficit) excess of revenues over expenses	$ (5,356)	$ 7,760	$ 185	$ 1,853	$ (1,659)	$ (8,139)	$ (5,356)
Change in net unrealized investment gains and losses	(41,195)	1,857	—	(196)	—	(1,661)	(41,195)
Change in defined benefit pension and other pos retirement plans	(88,531)	—	—	(2,642)	—	2,642	(88,531)
Capital contributions	—	—	—	—	5,298	(5,298)	—
Other	(148)	—	—	—	—	—	(148)
Change in unrestricted net assets	(135,230)	9,617	185	(985)	3,639	(12,456)	(135,230)
Change in temporarily restricted net assets	(853)	—	(853)	—	—	853	(853)
Change in permanently restricted net asset	411	—	411	—	—	(411)	411
Change in net assets	(135,672)	9,617	(257)	(985)	3,639	(12,014)	(135,672)
Net assets							
Beginning of year	819,388	113,673	16,800	11,651	—	(142,124)	819,388
End of year	$ 683,716	$ 123,290	$ 16,543	$ 10,666	$ 3,639	$ (154,138)	$ 683,716

See accompanying independent auditors' report