



**GROUP HEALTH COOPERATIVE AND SUBSIDIARIES**

Consolidated Financial Statements

Federal OMB Circular A-133 Reports

Year ended December 31, 2010

(With Independent Auditors' Report Thereon)

# GROUP HEALTH COOPERATIVE AND SUBSIDIARIES

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## **Independent Auditor's 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, 2010 and the related consolidated statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2011 on our consideration of the Group's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

**KPMG LLP**

April 7, 2011

**GROUP HEALTH COOPERATIVE  
AND SUBSIDIARIES**

Consolidated Balance Sheets

December 31, 2010 and 2009

(in thousands)

<b>Assets</b>	<b>2010</b>	<b>2009</b>
Current assets:		
Cash and cash equivalents	\$ 80,147	\$ 149,605
Short-term marketable securities	91,000	65,136
Accounts receivable – net	125,740	104,807
Inventories	23,063	22,268
Assets held for sale	—	20,528
Other	28,512	25,150
	348,462	387,494
Total current assets		
Long-term marketable securities	843,721	751,913
Funds held by trustee	8,848	14,428
Land, buildings, and equipment:		
Land	26,811	22,180
Buildings and improvements	579,977	496,618
Equipment	424,052	388,422
Construction in progress	3,896	24,818
	1,034,736	932,038
Total land, buildings, and equipment		
Less accumulated depreciation	(613,708)	(514,169)
	421,028	417,869
Land, buildings, and equipment – net		
Other assets	32,901	32,987
	\$ 1,654,960	\$ 1,604,691
Total		

**GROUP HEALTH COOPERATIVE  
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Consolidated Balance Sheets

December 31, 2010 and 2009

(in thousands)

<b>Liabilities and Net Assets</b>	<b>2010</b>	<b>2009</b>
Current liabilities:		
Accounts payable	\$ 78,290	\$ 73,612
External delivery services payable	231,667	200,216
Accrued employee compensation	56,353	43,997
Accrued taxes and interest	14,372	13,277
Unearned premiums and deposits	51,818	39,135
Short-term borrowings	40,977	—
Current portion of long-term debt	4,655	6,154
Current portion of reserve for self-insurance	17,335	10,725
Current portion of retiree medical benefits	4,635	16,836
Total current liabilities	500,102	403,952
Noncurrent liabilities:		
Long-term debt	144,748	187,713
Self-insurance	41,505	51,059
Retiree medical benefits	41,631	47,917
Pension	72,651	62,100
Other	34,935	37,202
Total noncurrent liabilities	335,470	385,991
Total liabilities	835,572	789,943
Commitments and contingencies (note 10)		
Net assets:		
Unrestricted	806,696	802,957
Temporarily restricted	5,026	4,227
Permanently restricted	7,666	7,564
Total net assets	819,388	814,748
Total	\$ 1,654,960	\$ 1,604,691

See accompanying notes to consolidated financial statements.

**GROUP HEALTH COOPERATIVE  
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Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2010 and 2009

(in thousands)

	<b>2010</b>	<b>2009</b>
Revenues:		
Premiums	\$ 2,883,510	\$ 2,737,072
Clinical services	223,456	193,230
Other	89,976	70,618
	3,196,942	3,000,920
Expenses:		
External delivery services	1,694,863	1,595,801
Employee compensation	590,959	556,666
Other expenses	350,094	300,081
Group Health Permanente expense	295,945	279,519
Medical and operating supplies	263,512	250,324
Depreciation	56,534	50,287
	3,251,907	3,032,678
Operating loss	(54,965)	(31,758)
Nonoperating income (expense):		
Investment income	50,154	69,554
Interest expense	(8,182)	(13,149)
	41,972	56,405
(Deficit) excess of revenues over expenses	(12,993)	24,647
Change in net unrealized investment gains and losses	18,750	10,814
Change in defined benefit pension and other postretirement plans	(1,834)	41,754
Other	(184)	338
	3,739	77,553
Change in temporarily restricted net assets	799	2,404
Change in permanently restricted net assets	102	52
	4,640	80,009
Net assets:		
Beginning of year	814,748	734,739
End of period	\$ 819,388	\$ 814,748

See accompanying notes to consolidated financial statements.

**GROUP HEALTH COOPERATIVE  
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

Years ended December 31, 2010 and 2009

(in thousands)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,640	\$ 80,009
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	56,534	50,287
Provision for self-insurance	16,633	2,467
Change in realized and unrealized investments gains and losses	(42,559)	(52,679)
Change in fair value of interest rate swap	300	5,235
Recognized other-than-temporary impairment losses	3	243
Cumulative effect adjustment	—	(738)
Change in deferred gain on sale – leaseback	2,917	2,917
Other	2,121	1,179
Cash provided by operating assets and liabilities:		
Accounts receivable – net	(20,933)	(15,306)
Inventories	(795)	628
Other current assets	(3,725)	(2,158)
Other assets	(1,700)	(2,060)
Accounts payable	2,157	(1,940)
External delivery services payable	31,451	29,423
Accrued employee compensation	12,356	(3,733)
Self-insurance	(19,577)	(16,707)
Accrued taxes and interest	1,095	191
Unearned premiums and deposits	9,766	13,351
Pension	10,551	(44,886)
Retiree medical benefits	(18,487)	(5,030)
Other noncurrent liabilities	(3,307)	(3,789)
Net cash provided by operating activities	<u>39,441</u>	<u>36,904</u>
Cash flows from investing activities:		
Payments for land, buildings, and equipment	(36,655)	(59,524)
Proceeds from disposal of land, buildings, and equipment	82	48
Proceeds from sale of marketable securities	755,903	873,637
Purchases of marketable securities	(831,032)	(878,151)
Distribution from equity investments	1,594	1,850
Sales of other equity investments – net	—	100
Funds held by trustee	5,570	(6,022)
Net cash used in investing activities	<u>(104,538)</u>	<u>(68,062)</u>
Cash flows from financing activities:		
Repayment of long-term debt	(45,154)	(5,675)
Net short-term borrowings	40,977	—
Other	(184)	(180)
Net cash used in financing activities	<u>(4,361)</u>	<u>(5,855)</u>
Net decrease in cash and cash equivalents	(69,458)	(37,013)
Cash and cash equivalents :		
Beginning of year	149,605	186,618
End of period	<u>\$ 80,147</u>	<u>\$ 149,605</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$ 8,241	\$ 8,523
Income taxes	4,288	2,008

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

December 31, 2010 and 2009

**(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), Auxiliary of Group Health Cooperative (the Auxiliary), and KPS's wholly owned subsidiary, Northwest Credentials Verification Service LLC (NCVS), (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.

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.

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.

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.

NCVS, a Washington limited liability company, performs primary source credentials verification of health care providers. NCVS decided to discontinue operations at December 31, 2010 and transferred certain customer contracts to a qualified credentials verification organization. The discontinuance of NCVS did not have a material impact on the Group's consolidated financial statements.

**(2) Summary of Significant Accounting Policies**

**(a) Principles of Consolidation**

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



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Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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, 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.

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. Beginning 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, which mitigates a portion of the Group's 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. Gains or losses on sale are calculated using the first-in first-out (FIFO) method.

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

An investment is impaired if the fair value of the investment is less than its 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 be sold before recovery, OTTI is recorded in income equal to the entire difference between the security's amortized cost basis and its fair value at the balance sheet date. If the Group does not intend to sell or

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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 fixed income 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 enrollee 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 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 was \$12,622,000 and \$6,353,000 as of December 31, 2010 and 2009, 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 5).

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The Series 2006 revenue bonds require a debt service reserve fund in the amount of \$8,848,000 for the benefit of the bond owners, which shall be maintained as long as any Series 2006 bonds remain outstanding. The Series 1991 revenue bonds experienced a rating downgrade which triggered the establishment of a cash reserve requirement of \$5,476,000 in February 2009. In 2010, the Series 1991 revenue bonds were paid off, eliminating the need for the cash reserve.

**(j) Charitable Gift Annuities**

As of December 31, 2010 and 2009, the Foundation had a charitable gift annuities liability of \$1,224,000 and \$1,240,000, respectively, which includes a 10% reserve as required by state law and is recorded as a component of other noncurrent liabilities 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.

In 2008, GHC closed its Eastside Campus, which housed an inpatient hospital facility, a specialty center, and primary care clinic. GHC relocated its primary care clinic to Redmond and its specialty

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center to Bellevue, adjacent to Overlake Hospital Medical Center where GHC enrollees receive hospital care. Group Health placed the Eastside Campus for sale resulting in the assets of this facility being classified as held-for-sale. Group Health continues to actively market the facility; however, due to a combination of factors, including the impact of the economic downturn, the facility has not sold and the assets were reclassified as held-for-use in 2010. The reclassification of this asset resulted in additional depreciation expense of \$5,282,000 dating back to March 2008, when the asset was originally classified as held-for-sale.

Management periodically performs an evaluation of the book value of the Eastside Campus assets compared to fair value less cost to sell. No impairment loss was incurred in 2010 or 2009.

**(n) 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, 2010 and 2009, the estimated liability for professional liability claims was \$50,962,000 and \$53,415,000, respectively. Prior to 2009, when preparing its estimate for professional claims liability, the Group had historically recorded a margin for risk of adverse deviation in excess of the expected ultimate losses and costs associated with settling claims. In 2009, the Group changed its method of estimating professional claims liability and is now recording at the best estimate of the ultimate losses and costs associated with settling claims. The effect of this correction was not material to the Group's consolidated financial statements. The reduction in the professional claims liability in 2009 was due primarily to the elimination of the margin for risk of adverse deviation, which resulted in a decrease of professional liability expense of approximately \$11,424,000 for the year ended December 31, 2009 relating to the prior years. The professional liability expense (credit) was \$11,930,000 and \$(2,954,000) for the years ended December 31, 2010 and 2009, respectively. At December 31, 2010 and 2009, the estimated liability for industrial accident claims was \$7,118,000 and \$6,885,000, respectively.

**(o) 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 2010 and 2009. Retention levels for industrial accident claims are \$450,000 in 2010 and 2009, 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 \$550,000 and \$500,000 per claim with a coinsurance level of 10% was held in 2010 and 2009, respectively, 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

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prepaid reinsurance premiums of \$903,000 and \$1,161,000 as of December 31, 2010 and 2009, respectively, and reinsurance receivables of \$146,000 and \$97,000 as of December 31, 2010 and 2009, respectively.

**(p) 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).

In a cash flow hedge, the effective portion of the changes in the fair value of the hedging derivative is recorded in net assets and is subsequently reclassified into earnings during the same period in which the hedged item affects earnings. The change in fair value of any ineffective portion of the hedging derivative is recognized immediately in earnings.

To qualify for hedge accounting treatment, the derivatives and related hedged items must be designated as a hedge. Both at the inception of the hedge and on an ongoing basis, the Group assesses whether the hedging relationship is expected to be highly effective in offsetting changes in fair value or cash flows of hedged items. If it is determined that the derivative instrument is not highly effective as a hedge, hedge accounting treatment is discontinued.

**(q) 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 GHC's facilities.

GHC and GHO have a contract with the Centers for Medicare and Medicaid Services (CMS) to provide health care services to enrollees eligible for Medicare coverage. Under this arrangement, premiums from CMS are paid prospectively. The premium amounts vary by individual and are determined through a bidding process whereby GHC and GHO submit bids for the projected costs of Medicare covered services. The amount of the premium is determined by the relationship of the submitted bid to the CMS county level benchmarks and is adjusted for the health risk of the enrollee. Supplemental premiums are paid by individual enrollees or employer groups for benefits not covered under CMS premiums.

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Other revenues include grants awarded to the Group Health Research Institute, a division of Group Health, 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 use 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.

The table below presents the balances of the significant operating revenue types for the years ended December 31, 2010 and 2009 (in thousands):

	<b>2010</b>	<b>2009</b>
Premiums:		
Group	\$ 2,006,942	\$ 1,925,714
Medicare	686,876	669,334
Individual and family	148,919	104,936
Medicaid	40,773	37,088
Total premiums	2,883,510	2,737,072
Clinical services	223,456	193,230
Other revenue:		
Grants	42,520	37,500
Other	32,677	19,728
Sales	14,779	13,390
Total other	89,976	70,618
Total operating revenues	\$ 3,196,942	\$ 3,000,920

**(r) 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, 2010 and 2009.

**(s) Charity Care**

Charity care represents medically necessary health care services that are provided to patients who have demonstrated an inability to pay. Only the portion of a patient's account that meets GHC's established criteria is recognized as charity care. The charges associated with charity care provided

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by GHC were \$2,023,000 and \$2,422,000 for the years ended December 31, 2010 and 2009, respectively.

**(t) 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.

**(u) Group Health Permanente Expense**

Group Health Permanente P.C. is an independent medical group with an exclusive contract to provide medical services at GHC facilities providing primary, specialty, and inpatient care. GHC's net liability to Group Health Permanente was \$24,435,000 and \$31,208,000 as of December 31, 2010 and 2009, respectively, and is a component of accounts payable in the accompanying consolidated balance sheets.

**(v) 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 \$7,851,000 and \$8,639,000 for the years ended December 31, 2010 and 2009, respectively.

**(w) 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 10).

**(x) Income Taxes**

GHO, KPS, and NCVS 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.

GHO, KPS, and NCVS 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.

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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.

**(y) 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 purposes and also 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, 2010 and 2009 (in thousands):

	2010	2009
Health care services	\$ 3,186	\$ 2,917
Health education	1,075	767
Health care research and development	700	456
Other	65	87
Total temporarily restricted net assets	\$ 5,026	\$ 4,227

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, 2010 and 2009 are contributions restricted by the donor to be invested in perpetuity.

The change in temporarily restricted net assets is comprised of \$1,060,000 and \$944,000 of contributions, \$1,292,000 and \$951,000 of release from restrictions, and investment income of \$1,031,000 and \$2,043,000, and other of zero and \$368,000 for the years ended December 31, 2010 and 2009, respectively.

**(z) Reclassifications**

Certain reclassifications have been made to the 2009 consolidated financial statements to conform to the 2010 consolidated financial statement presentation.

**(aa) New Accounting Pronouncements**

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



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claim liability. The claim liability amount should be calculated without consideration of insurance recoveries. This standard is effective for the 2011 fiscal year. The adoption of this standard will 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 disclosure purposes and should be broken down between direct and indirect costs for providing charity care. This standard is effective for the 2011 fiscal year. The adoption of this standard will not have a material impact on the Group's consolidated financial statements.

In April 2010, the FASB issued ASU No. 2010-17, *Revenue Recognition — Milestone Method*, which provides guidance in applying the milestone method of revenue recognition to research or development arrangements. Under this guidance management may recognize revenue contingent upon the achievement of a milestone in its entirety, in the period in which the milestone is achieved, only if the milestone meets all the criteria within the guidance to be considered substantive. This standard is effective for the 2011 fiscal year. The adoption of this standard will not have a material impact on the Group's consolidated financial statements.

In January 2010, the FASB issued ASU No. 2010-07, *Not-for-Profit Entities – Mergers and Acquisitions*, which provides guidance on how a not-for-profit entity should account for mergers and acquisitions. This standard is effective for the 2010 fiscal year. The adoption of this standard did not have a material impact on the Group's consolidated financial statements.

In January 2010, the FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures, Improving Disclosures about Fair Value Measurements*, which requires new disclosures that increase the transparency in financial reporting. This standard is effective for the 2010 fiscal year. The adoption of this standard did not have a material impact on the Group's consolidated financial statements.

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**(3) Marketable Securities**

Marketable securities as of December 31, 2010 and 2009 consist of the following (in thousands):

	<b>2010</b>			
	<u>Amortized cost</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Fair value</u>
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
U.S. Treasury	5,218	30	(5)	5,243
Other	5,837	302	(35)	6,104
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	<u>\$ 898,624</u>	<u>\$ 42,005</u>	<u>\$ (5,908)</u>	<u>\$ 934,721</u>

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	<b>2009</b>			
	<u>Amortized cost</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Fair value</u>
Debt:				
U.S. government securities	\$ 304,301	\$ 6,497	\$ (2,108)	\$ 308,690
Commercial paper	7,750	2	—	7,752
Corporate debt securities	243,324	7,550	(1,003)	249,871
Asset-backed securities	8,835	113	(229)	8,719
Collateralized mortgage obligations	51,061	878	(921)	51,018
Domestic equity securities:				
Mutual funds:				
Large blend	91,411	3,178	(524)	94,065
Large value	30,525	1,253	(146)	31,632
Medium growth	16,000	641	—	16,641
Small blend	4,062	280	—	4,342
Other	6,401	244	(261)	6,384
Foreign equity securities:				
Mutual funds:				
Large blend	30,986	1,272	(764)	31,494
Large value	6,509	51	(132)	6,428
Other	15	—	(2)	13
Total	<u>\$ 801,180</u>	<u>\$ 21,959</u>	<u>\$ (6,090)</u>	<u>\$ 817,049</u>

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Contractual maturities of debt securities held as of December 31, 2010 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	\$ 9,108	\$ 52,106	\$ 54,871	\$ 6,606	\$ 122,691
Municipals	1,200	2,593	6,353	8,622	18,768
Commercial paper	3,591	500	149	—	4,240
International government	8,449	10,813	—	459	19,721
Corporate debt securities	68,902	147,815	86,757	12,523	315,997
Mortgage-backed securities	144	83,627	59,750	395	143,916
Asset-backed securities	2,048	2,515	3,611	619	8,793
Collateralized mortgage obligations	8,424	39,293	10,799	1,307	59,823
Total	<u>\$ 101,866</u>	<u>\$ 339,262</u>	<u>\$ 222,290</u>	<u>\$ 30,531</u>	<u>\$ 693,949</u>

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

The Group records investment income net of related expenses and consists of the following as of December 31, 2010 and 2009 (in thousands):

	<u>2010</u>	<u>2009</u>
Interest	\$ 29,135	\$ 28,889
Realized gains on sale	20,180	42,037
Realized losses on sale	(1,072)	(3,063)
Dividends and capital gains	7,734	2,496
Amortization, accretion, and other	(5,820)	(562)
OTTI	(3)	(243)
Total investment income	<u>\$ 50,154</u>	<u>\$ 69,554</u>

Upon adoption of Accounting Standards Codification (ASC) Section 320-10-65, *Recognition and Presentation of Other-Than-Temporary Impairments*, in 2009, the Group recorded a cumulative effect adjustment of \$738,000 as of the beginning of the period of adoption to reclassify the noncredit component of previously recognized OTTI and is reflected within other changes in unrestricted net assets in the consolidated statements of operations and changes in net assets.

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 \$3,000 and \$243,000 in 2010 and 2009, respectively. The portion of the OTTI losses from

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noncredit-related factors was zero and \$79,000 in 2010 and 2009, respectively, and was recognized as a component of the changes in net unrealized investment gains and losses.

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, 2010 and 2009 (in thousands):

2010	Less than 12 months		12 months or greater		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	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)
U.S. Treasury	190	(5)	—	—	190	(5)
Other	136	(3)	144	(32)	280	(35)
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)

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2009	Less than 12 months		12 months or greater		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Debt:						
U.S. government securities	\$ 121,650	\$ (1,864)	\$ 2,331	\$ (244)	\$ 123,981	\$ (2,108)
Corporate debt securities	57,153	(787)	3,566	(216)	60,719	(1,003)
Asset-backed securities	796	(200)	359	(29)	1,155	(229)
Collateralized mortgage obligations	14,558	(135)	8,995	(786)	23,553	(921)
Domestic equity securities:						
Mutual funds:						
Large blend	4,956	(48)	2,090	(476)	7,046	(524)
Large value	8,968	(35)	296	(111)	9,264	(146)
Other	367	(6)	2,166	(255)	2,533	(261)
Foreign equity securities:						
Mutual funds:						
Large blend	2,713	(26)	1,408	(738)	4,121	(764)
Large value	3,871	(132)	—	—	3,871	(132)
Other	—	—	4	(2)	4	(2)
Total	\$ 215,032	\$ (3,233)	\$ 21,215	\$ (2,857)	\$ 236,247	\$ (6,090)

The unrealized losses in the Group's investments in 2010 were due primarily to changes in interest rates. Substantially all 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 2010. The Group has the ability and intent to hold these investments until a recovery of market 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):

	2010	2009
Balances at January 1	\$ 200,216	\$ 170,793
Incurred related to:		
Current year	1,698,294	1,596,520
Prior years	(3,431)	(719)
Total incurred	1,694,863	1,595,801
Paid related to:		
Current year	1,492,643	1,420,028
Prior years	170,769	146,350
Total paid	1,663,412	1,566,378
Balances at December 31	\$ 231,667	\$ 200,216

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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. Negative amounts reported for incurred related to prior years result from claims being adjudicated and paid for amounts less than originally estimated.

**(5) 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 are not subject to redemption prior to the maturity date. The notes are secured by GHC's gross receivables, certain equipment, and a lien on certain real property. The issued notes outstanding are included within 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, 2010 and 2009.

In May 2010, GHC redeemed the Series 1991 revenue bonds at the outstanding aggregate amount of \$40,950,000. There was no call premium associated with the early redemption. Approximately \$862,000 of deferred financing costs associated with the Series 1991 bonds were expensed upon redemption and are included as a component of interest expense in the consolidated statements of operations.

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Long-term debt at December 31, 2010 and 2009 consists of the following (in thousands):

	<u>Years of maturity</u>	<u>2010</u>	<u>2009</u>
Revenue bonds:			
Series 1991, 6-1/4% to 6-3/4%, net of bond discount of \$975 in 2009	2009 – 2021	\$ —	\$ 39,976
Series 2001, 4.00% to 5-3/8%, plus bond premium of \$812 and \$1,011 in 2010 and 2009, respectively	2009 – 2019	49,748	54,151
Series 2006, 4-1/2% to 5.00%, plus bond premium of \$1,686 and \$1,771 in 2010 and 2009, respectively	2022 – 2036	99,651	99,736
Other		<u>4</u>	<u>4</u>
Subtotal		149,403	193,867
Less current portion		<u>(4,655)</u>	<u>(6,154)</u>
Total long-term debt		<u>\$ 144,748</u>	<u>\$ 187,713</u>

Future annual principal payments on long-term debt for each of the next five years and thereafter at December 31, 2010 are as follows (in thousands):

Years ending December 31:		
2011	\$	4,374
2012		4,590
2013		4,815
2014		5,075
2015		5,400
Thereafter		<u>122,650</u>
Subtotal		146,904
Add unamortized premium and discount, net		<u>2,499</u>
Total	\$	<u>149,403</u>

Interest paid during 2010 and 2009 was \$8,241,000 and \$8,523,000, respectively. Interest expense was \$8,182,000 and \$13,149,000 during 2010 and 2009, respectively, and the amount of interest capitalized was \$147,000 and \$410,000 in 2010 and 2009, respectively. The effect of the interest rate swap decreased interest expense by \$2,539,000 and increased interest expense by \$2,465,000 in 2010 and 2009, respectively.



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**(6) 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.

**(7) 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, 2010, 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, 2010, 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, 2010, Level 3 instruments include primarily a guaranteed interest 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.

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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 \$149,434,000 and \$190,246,000 as of December 31, 2010 and 2009, respectively.

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**(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, 2010 and 2009 (in thousands):

	<b>Fair value measurements at December 31, 2010 using</b>			
	<b>Fair value</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
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	—	—
US Treasury	5,243	5,243	—	—
Other	6,104	6,104	—	—
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	<u>\$ 934,721</u>	<u>\$ 326,908</u>	<u>\$ 607,804</u>	<u>\$ 9</u>
Funds held by trustee				
Guaranteed income contract	\$ 8,848	\$ —	\$ —	\$ 8,848
Total funds held by trustee	<u>\$ 8,848</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,848</u>
Interest rate swap	\$ (49)	\$ —	\$ —	\$ (49)

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	Fair value measurements at December 31, 2009 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	\$ 308,690	\$ 120,744	\$ 187,946	\$ —
Commercial paper	7,752	—	7,752	—
Corporate debt securities	249,871	—	249,871	—
Asset-backed securities	8,719	—	8,719	—
Collateralized mortgage obligations	51,018	—	51,018	—
Domestic Equity Securities				
Mutual Funds:				
Large blend	91,344	91,344	—	—
Large value	34,352	34,352	—	—
Medium growth	16,641	16,641	—	—
Small blend	4,341	4,341	—	—
Other	6,386	6,386	—	—
Foreign Equity Securities				
Mutual Funds:				
Large blend	31,494	31,494	—	—
Large value	6,428	6,428	—	—
Other	13	4	—	9
Total available-for-sale securities	<u>\$ 817,049</u>	<u>\$ 311,734</u>	<u>\$ 505,306</u>	<u>\$ 9</u>
Funds held by trustee:				
Money markets	\$ 5,943	\$ 5,943	\$ —	\$ —
Guaranteed income contract	8,848	—	—	8,848
Total funds held by trustee	<u>\$ 14,791</u>	<u>\$ 5,943</u>	<u>\$ —</u>	<u>\$ 8,848</u>
Interest rate swap	\$ 251	\$ —	\$ —	\$ 251

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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, 2009	\$ 8,089	\$ 8,848	\$ 5,486	\$ 22,423
Sales	(8,077)	—	—	(8,077)
Total losses (realized/ unrealized) included in changes in net assets	(3)	—	(5,235)	(5,238)
Ending balance at December 31, 2009	9	8,848	251	9,108
Total losses (unrealized) included in changes in net assets	—	—	(300)	(300)
Ending balance at December 31, 2010	\$ 9	\$ 8,848	\$ (49)	\$ 8,808

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, 2010 and 2009.

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**(8) Pension Plans**

The Group contributes to two defined benefit plans (the Plans), a defined contribution plan, two 401(k) plans, a 403(b) plan, and 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 \$25,497,000 and \$35,567,000 in 2010 and 2009, respectively, and the total expense for the other plans was \$23,920,000 and \$17,137,000 in 2010 and 2009, respectively.

In 2009, KPS amended its defined benefit pension plan to freeze benefits, effective March 1, 2009. As a result, each active participant's pension benefit was determined based on the participant's compensation and duration of employment as of March 1, 2009. 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, 2010 and 2009, net periodic pension expense related to the Group's participation in the Plans for 2010 and 2009 included the following components (in thousands):

	<u>2010</u>	<u>2009</u>
Service cost	\$ 20,715	\$ 19,383
Interest cost on projected benefits	27,734	25,810
Expected return on plan assets	(34,414)	(27,040)
Amortization of net loss	11,462	17,184
Actuarial loss	—	230
	<u>\$ 25,497</u>	<u>\$ 35,567</u>
Discount rate (preretirement)	5.90% – 6.00%	6.00% – 6.20%
Discount rate (postretirement)	5.90 – 6.00	6.00
Rate of increase in compensation levels	5.00	4.39 – 5.00
Expected return on plan assets	7.25 – 8.50	8.00 – 8.50

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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, 2010 and 2009 are shown in the following table (in thousands):

	<b>2010</b>	<b>2009</b>
Change in projected benefit obligation:		
Projected benefit obligation – beginning of year	\$ 486,504	\$ 435,363
Service cost	20,715	19,383
Interest cost	27,734	25,811
Plan amendments/curtailment	—	(3,007)
Actuarial loss	35,321	17,015
Employee contributions	1,998	930
Benefits paid	(17,744)	(8,991)
Projected benefit obligation – end of year	554,528	486,504
Change in plan assets:		
Fair value of plan assets – beginning of year	424,404	328,377
Actual return on plan assets	50,844	73,213
Employer contributions	22,375	30,875
Employee contributions	1,998	930
Benefits paid	(17,744)	(8,991)
Fair value of plan assets – end of year	481,877	424,404
Funded status	\$ (72,651)	\$ (62,100)
Amounts recognized in unrestricted net assets consist of:		
Net actuarial loss	\$ 134,278	\$ 126,848
Accumulated benefit obligation – end of year	516,617	447,278
Discount rate (preretirement)	5.40% – 5.50%	5.90% – 6.00%
Discount rate (postretirement)	5.50 – 5.60	5.90 – 6.00
Rate of increase in compensation levels	0.00 – 4.00	0.00 – 5.00

The funded status is recorded as a component of noncurrent liabilities as of December 31, 2010 and 2009 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

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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, 2010 and 2009, the following table summarizes the target allocation range defined in the investment policies compared to the actual allocations of the Group's plan assets:

	<b>2010</b>		<b>2009</b>	
	<b>Target allocation</b>	<b>Actual allocation</b>	<b>Target allocation</b>	<b>Actual allocation</b>
Equity securities	30% – 60%	58%	60% – 70%	56%
Debt securities	20 – 50	36	30 – 40	40
Cash equivalents	0 – 5	1	0 – 5	4
Other investments	0 – 10	5	0 – 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 no required employer contributions expected to be made to the Plans in 2011.



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Expected amounts to be recognized as components of 2011 net periodic pension cost are as follows (in thousands):

Service cost	\$	22,972
Interest cost on projected benefits		28,886
Expected return on plan assets		(40,610)
Amortization of net loss		<u>10,684</u>
Net periodic pension cost	\$	<u><u>21,932</u></u>

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, 2010 are as follows (in thousands):

Years ending December 31:		
2011	\$	39,102
2012		41,831
2013		40,611
2014		42,221
2015		43,241
2016 – 2020		<u>226,118</u>
Total	\$	<u><u>433,124</u></u>

**(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, 2010, 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, 2010, Level 2 securities include primarily commingled trusts, limited liability corporations, 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.

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Valuation techniques include use of discounted cash flow models and similar techniques. At December 31, 2010, Level 3 securities include commingled trusts and a limited partnership.

The table below presents the balances of plan assets measured at fair value on a recurring basis as of December 31, 2010 and 2009 (in thousands):

	<b>Fair value measurements at December 31, 2010 using</b>			
	<b>Fair value</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
Plan assets				
Cash and cash equivalents	\$ 10,288	\$ 10,285	\$ 3	\$ —
Commingled trusts	121,128	—	110,935	10,193
Common stocks	210,839	210,839	—	—
Corporate debt securities	68,495	68,495	—	—
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	8,632	8,632	—	—
Long-term bond	4,099	4,099	—	—
Intermediate-term bond	4,149	4,149	—	—
Foreign equities				
Large blend	2,145	2,145	—	—
Total plan assets	<u>\$ 481,877</u>	<u>\$ 308,644</u>	<u>\$ 142,353</u>	<u>\$ 30,880</u>

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Fair value measurements at December 31, 2009 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				
Commingled bond funds	\$ 108,641	\$ 108,641	\$ —	\$ —
Commingled trust	31,740	—	—	31,740
Common collective trust	63,029	—	19,850	43,179
Common stocks	115,317	115,317	—	—
Corporate debt securities	12,155	12,155	—	—
Limited partnership	36,459	—	—	36,459
Mutual funds:				
Domestic equities				
Large blend	31,562	31,562	—	—
Long-term bond	3,845	3,845	—	—
Intermediate-term bond	3,849	3,849	—	—
Small growth	15,027	15,027	—	—
Other	7	7	—	—
Foreign equities				
Large blend	1,841	1,841	—	—
Real estate investment trusts	932	932	—	—
Total plan assets	\$ 424,404	\$ 293,176	\$ 19,850	\$ 111,378

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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	Total
Beginning balance at January 1, 2009	\$ 24,688	\$ 36,617	\$ 29,202	\$ 90,507
Purchases, sales, and settlements	555	2,329	1,198	4,082
Total gains (realized/ unrealized)	<u>6,497</u>	<u>4,233</u>	<u>6,059</u>	<u>16,789</u>
Ending balance at December 31, 2009	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)	<u>147</u>	<u>1,824</u>	<u>687</u>	<u>2,658</u>
Ending balance at December 31, 2010	<u>\$ 10,193</u>	<u>\$ —</u>	<u>\$ 20,687</u>	<u>\$ 30,880</u>
Net unrealized gains relating to assets held at December 31, 2009	\$ 15,356	\$ 4,233	\$ 7,993	\$ 27,582
Net unrealized gains relating to assets held at December 31, 2010	\$ 147	\$ —	\$ 687	\$ 834

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, 2010 and 2009.

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**(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):

	<u>Fair value</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
		Daily, Semi-monthly,	
Commingled trust (a)	\$ 121,128	Monthly	1 – 15 days
Limited partnership (b)	20,687	Quarterly	15 days
Limited liability corporation (c)	20,495	Monthly	15 days
Trust index fund (d)	10,920	Monthly	10 days
Total	<u>\$ 173,230</u>		

- 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 actively managed fund that invests in noninvestment grade bonds employing an intermediate-term strategy focused on income and capital appreciation.
- d. This category is comprised of an index fund that invests in commodity futures.

At December 31, 2010 and 2009, the Plans have no outstanding funding commitments.

**(9) 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 retiring on or after December 31, 2009 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.

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At December 31, 2010 and 2009, net periodic postretirement benefit cost is comprised of the following components (in thousands):

	<u>2010</u>	<u>2009</u>
Service cost	\$ —	\$ 663
Interest cost on accumulated benefit obligation	2,311	4,451
Amortization of unrecognized prior service cost	—	(299)
Amortization of transition obligation	—	477
Net periodic postretirement benefit cost	<u>\$ 2,311</u>	<u>\$ 5,292</u>

Amounts recognized in unrestricted net assets consisted of net actuarial losses of \$1,991,000 and \$7,587,000 at December 31, 2010 and 2009, 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, 2010 and 2009, and comprises the following components (in thousands):

	<u>2010</u>	<u>2009</u>
Change in accumulated postretirement benefit obligation:		
Accumulated postretirement benefit obligation – beginning of year	\$ 64,753	\$ 69,783
Service cost	—	661
Interest cost	2,311	4,451
Plan amendments/curtailment	(11,483)	(14,305)
Actuarial loss (gain)	(4,993)	9,296
Benefits paid	<u>(4,322)</u>	<u>(5,133)</u>
Accumulated postretirement benefit obligation – end of year	<u>\$ 46,266</u>	<u>\$ 64,753</u>
Change in plan assets:		
Employer contributions	\$ 4,322	\$ 5,133
Benefits paid	<u>(4,322)</u>	<u>(5,133)</u>

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, 2010, by \$3,489,000 and the sum of service cost and interest cost for 2010 by \$183,000. A 1.00% decrease in this annual trend rate would have decreased the APBO at December 31, 2010 by \$3,076,000 and the sum of service cost and interest cost for 2010 by \$164,000.

The weighted average discount rate used in determining the APBO was 4.70% in 2010 and 5.30% in 2009. 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 5.30% in 2010 and 6.20% in 2009, and is based on beginning of year assumptions.

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Expected amounts to be recognized as components of 2011 net periodic postretirement benefit cost are interest cost on projected benefits of \$2,057,000.

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, 2010, are as follows (in thousands):

Years ending December 31:		
2011	\$	4,280
2012		4,205
2013		4,112
2014		4,020
2015		3,925
2016 – 2020		17,777
Total	\$	<u><u>38,319</u></u>

**(10) Commitments and Contingencies**

**(a) Leases**

The Group has various operating leases for land, buildings, and equipment. Total rent expense was \$20,008,000 and \$19,204,000 on these leases in 2010 and 2009, respectively. Total sublease rental revenue was \$2,504,000 and \$2,406,000 in 2010 and 2009, respectively. Future minimum rental payments and future minimum sublease rental receipts under noncancelable operating lease and sublease agreements as of December 31, 2010 are as follows (in thousands):

Years ending December 31:	<u>Minimum sublease rental receipts</u>	<u>Minimum rental payments</u>
2011	\$ 2,910	\$ 20,680
2012	2,773	19,554
2013	2,607	18,493
2014	1,309	16,150
2015	1,014	14,186
Thereafter	1,527	20,656
Total	\$ <u><u>12,140</u></u>	\$ <u><u>109,719</u></u>

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

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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 \$16,288,000 and \$19,205,000 as of December 31, 2010 and 2009, respectively.

**(b) Labor**

Approximately 58% of GHC's employees are covered under collective bargaining agreements. These employees provide nursing and other technical services to GHC. 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 Medicare Advantage and Medicare Part D Prescription Drug Plan 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 \$4,227,000 and \$4,711,000 as of December 31, 2010 and 2009, 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



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was conducted by the Office of Inspector General (OIG) on behalf of OPM. In October 2010, GHC received the final audit report that had been submitted by the OIG to OPM in September 2010. The final audit report contained findings and recommendations that included an assertion of defective pricing for the contract year 2007 in the amount of approximately \$31,000,000 plus interest. Currently, the OPM has not made a final decision regarding this matter. The decision date by the OPM is not known. Management strongly disagrees with the OIG's assertion as management believes it is contrary to applicable laws, regulations, and OPM's instructions and believes that no amount is owed to OPM for this matter. Management expects this matter to be resolved without a material effect on the Group's consolidated financial statements.

**(11) Federal Income Taxes**

The components of income tax expense (benefit) for GHO, KPS, and NCVS related to continuing operations and the change in unrestricted net assets for the years ended December 31, 2010 and 2009 are summarized as follows (in thousands):

	<b>2010</b>	<b>2009</b>
Federal income tax expense (benefit) on operations	\$ 3,245	\$ (937)
Federal income tax (benefit) included in the change in unrestricted net assets	(216)	(1,283)
Federal income tax expense (benefit)	\$ 3,029	\$ (2,220)

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):

	<b>2010</b>	<b>2009</b>
Deferred tax asset	\$ 10,843	\$ 9,484
Deferred tax liability	(1,089)	(987)
Valuation allowance	(4,917)	(5,128)
Net deferred tax asset	\$ 4,837	\$ 3,369

Deferred tax assets primarily relate to the tax effects of temporary differences associated with pension liabilities, buildings and improvements, and net operating loss carryforwards. The deferred tax liability results primarily from temporary differences in unrealized investment gains and pension and

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postretirement 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, 2010, the Group has net operating loss carryforwards for federal income tax purposes of \$15,883,000, which expire between 2019 through 2030.

**(12) 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 \$10,497,000 and \$9,707,000 at December 31, 2010 and 2009, respectively, and are recorded in 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.

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The Foundation policy limits spending in any calendar year at 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.

**(13) 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 7, 2011, the date these consolidated financial statements were issued.

As a result of federal health care reform legislation enacted in 2010, substantial changes are anticipated in the United States health care system. Such legislation includes numerous provisions affecting the delivery of health care services, the financing of health care costs, reimbursement of health care providers, and the legal obligations of health insurers, providers, and employers. These provisions are currently slated to take effect at specified times over approximately the next decade. This federal health care reform legislation does not affect the 2010 consolidated financial statements.



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**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

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

We have audited the financial statements of Group Health Cooperative and Subsidiaries (the Group) as of and for the year ended December 31, 2010, and have issued our report thereon dated April 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Group's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Group's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and that are described in the accompanying schedule of findings and responses as items 2010-01 and 2010-02. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Group's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



The Group's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Group's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*KPMG LLP*

April 7, 2011



**KPMG LLP**  
Suite 900  
801 Second Avenue  
Seattle, WA 98104

**Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over  
Compliance in accordance with OMB Circular A-133**

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

**Compliance**

We have audited Group Health Cooperative and Subsidiaries (the Group)'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have direct and material effect on each of the Group's federal programs for the year ended December 31, 2010. The Group's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Group's management. Our responsibility is to express an opinion on the Group's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Group's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provided a reasonable basis for our opinion. Our audit does not provide a legal determination on the Group's compliance with those requirements.

In our opinion, the Group complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

**Internal Control over Compliance**

Management of the Group is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Group's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test the report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Group's internal control over compliance.



A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010-01 and 2010-02. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Group's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Group's responses, and accordingly, we express no opinion on those responses.

#### **Schedule of Expenditures of Federal Awards**

We have audited the basic consolidated financial statements of the Group as of and for the year ended December 31, 2010, and have issued our report thereon dated April 7, 2011. Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

This report is intended solely for the information and use of the board of trustees, management, others within the entity, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

**KPMG LLP**

April 7, 2011

**GROUP HEALTH COOPERATIVE AND SUBSIDIARIES**

Schedule of Expenditures of Federal Awards

Year ended December 31, 2010

<b>CFDA number</b>	<b>Description</b>	<b>Pass-through entity or award identifying number</b>	<b>Award start date</b>	<b>Award end date</b>	<b>Expenditures</b>
<b>Agency for Healthcare Research and Quality:</b>					
93.226	Shared Medical Records and Chronic Illness Care	5R01HS016759-03	05/01/09	04/30/10	\$ 97,737
93.226	Shared Medical Records and Chronic Illness Care	5R01HS016759-04	05/01/10	04/30/11	150,481
93.226	Transforming Primary Care: Evaluating The Spread of Group Health's Medical Home	1R18HS019129-01	07/01/10	06/30/11	69,911
93.226	Evaluation of Value-Based Health Plan Design	1R18HS018913-01	08/01/10	06/30/11	151,520
<b>Department of Veterans Affairs:</b>					
64.RD	Importance of Surgical Specialty on the Utilization of Preoperative Consultation	663-D06067	06/01/10	03/31/11	16,322
64.RD	Veterans Health Administration (VHA) Patient Centered Medical Home Demo Lab Coordinating Center	VA260-P-0855	09/10/10	08/31/11	8,976
<b>National Institutes of Health:</b>					
93.172	Development and Use of Network Infrastructure for High Throughout Gwa Studies	5U01HG004610-03	08/01/09	07/31/10	767,312
93.172	Development and Use of Network Infrastructure for High Throughout Gwa Studies	5U01HG004610-04	08/01/10	07/31/11	207,429
93.172	Development and Use of Network Infrastructure for High – Throughout Gwa Studies – Supplement	3U01HG004610-03S1	08/01/09	07/31/10	45,042
93.172	Development and Use of Network Infrastructure for High Throughout Gwa Studies – Phenotype Administrative Supplement	3U01HG004610-03S1	08/01/09	07/31/10	48,897
93.172	Development and Use of Network Infrastructure for High Throughout Gwa Studies – Phenotype Administrative Support	3U01HG004610-04S1	08/01/10	07/31/11	23,288
93.213	Effect of Massage on Chronic Low Back Pain	5R01AT001927-04	09/01/08	08/31/10	167,105
93.213	Effect of Yoga Versus Stretching on Chronic Back Pain	5U01AT003208-04	09/01/09	08/31/11	200,064
93.213	Outcomes of Community Naturopathic Medicare for Type 2 Diabetes	5R21AT004536-02	03/01/09	02/28/10	54,377
93.213	Outcomes of Community Naturopathic Medical Care for Type 2 Diabetes	5R21AT004536-03	03/01/10	02/28/11	180,901
93.213	Dosing Study of Massage for Neck Pain	1R01AT004411-01A2	06/01/09	02/28/10	68,018
93.213	Dosing Study of Massage for Neck Pain	5R01AT004411-02	03/01/10	02/28/11	889,609
93.213	Measuring Patient Expectations for Cam Therapies	1R01AT005809-01	12/01/09	11/30/10	354,671
93.213	Measuring Patient Expectations for Cam Therapies	5R01AT005809-02	12/01/10	11/30/11	12,387
93.213	Outcomes of Community Naturopathic Medical Care for Type 2 Diabetes	3R21AT004536-03S1	04/01/10	02/28/11	40,377
93.242	Depression Diabetes Care Disparities Adverse Outcomes	5R01MH073686-04	04/01/08	03/31/10	(5,561)
93.242	Transition From Prison to Community: A Pilot Intervention of Adherence Support	5R34MH076637-03	04/01/08	03/31/10	70,843
93.242	Community-Based Self-Management of HIV & Chronic Disease	5R01MH074380-03	03/01/09	02/28/10	94,750
93.242	Community-Based Self-Management of HIV & Chronic Disease	5R01MH074380-04	03/01/10	02/28/11	379,360
93.242	Step Up Wellness Program for Depression Physical Inactivity and Smoking	5R34MH080658-03	06/01/09	05/31/11	125,438
93.242	Prevention Needs HIV+ Persons Awaiting Release From Prison	5R03MH082630-02	12/01/08	11/30/10	47,623
93.242	Patient Portal to Support Treatment Adherence	5R01MH081750-02	03/01/09	02/28/10	102,994
93.242	Patient Portal to Support Treatment Adherence	5R01MH081750-03	03/01/10	02/28/11	543,700
93.242	Modeling Adherence to Psychotherapy for Depression	5R01MH081112-02	06/01/09	05/31/11	235,615
93.242	Pilot Trial of Depression Care By Electronic Secure Messaging	5R21MH082924-02	08/01/09	07/31/11	140,363
93.242	Antidepressant Treatment and Risk of Obesity	1R01MH083671-01A2	07/01/09	06/30/10	152,916
93.242	Antidepressant Treatment and Risk of Obesity	5R01MH083671-02	07/01/10	06/30/11	203,338



**GROUP HEALTH COOPERATIVE AND SUBSIDIARIES**

Schedule of Expenditures of Federal Awards

Year ended December 31, 2010

<b>CFDA number</b>	<b>Description</b>	<b>Pass-through entity or award identifying number</b>	<b>Award start date</b>	<b>Award end date</b>	<b>Expenditures</b>
93.242	Organized Self-Mgmt Supp Services for Chronic Depression	1R01MH082995	08/01/09	04/30/10	\$ 157,193
93.242	Organized Self-Mgmt Supp Services for Chronic Depression	5R01MH082995-02	05/01/10	04/30/11	558,244
93.242	Patient Centered Interventions for Mood Disorders	5P20MH068572-05	07/01/09	06/30/10	52,323
93.242	Step Up Wellness Program for Depression Physical Inactivity and Smoking	5R34MH080658-03	06/01/09	05/31/11	30,232
93.242	Mental Health Research Network: A Population-Based Approach to Transform Research – Infrastructure	1U19MH092201-01	09/24/10	07/31/11	55,118
93.242	Mental Health Research Network: Feasibility of Behavioral Activation Therapy for Perinatal Depression	1U19MH092201-01	09/24/10	07/31/11	5,901
93.242	Mental Health Research Network: A Geographically and Ethnically Diverse Autism Registry for Effectiveness Studies	1U19MH092201-01	09/24/10	07/31/11	41,091
93.242	Mental Health Research Network: Longitudinal Analysis of Ssri Warnings and Suicidality Among Youth (Lassy)	1U19MH092201-01	09/24/10	07/31/11	31,098
93.242	Patient Centered Interventions for Mood Disorders	5P20MH068572-05	07/01/09	06/30/10	85,055
93.242	Patient Centered Interventions for Mood Disorders	5P20MH068572-05	07/01/09	06/30/11	127,039
93.279	Long-Term Opioid Management of Chronic Pain: Trends and Risks	5R01DA022557-04	05/01/09	04/30/11	187,887
93.393	Proactive Cessation Intervention With Biomarker Feedback	5R01CA100341-05	03/01/08	02/28/10	18,708
93.393	Multi Center Study of Pancreatic Cancer Etiology	5R01CA102765-05	05/01/08	04/30/11	159,301
93.393	Statistical Coordinating Center for The Breast Cancer Surveillance Consortium	5U01CA086076-10	08/01/09	07/31/11	531,107
93.393	Breast Cancer Surveillance in a Defined Population	5U01CA063731-15	08/01/09	07/31/11	282,530
93.393	Assessing The Impact of Colorectal Cancer Screening	5U01CA097427-08	08/01/09	07/31/11	148,680
93.393	Design and Inference for Hybrid Ecological Studies	5R01CA125081-03	06/01/09	05/31/11	97,342
93.393	Systems of Support (SOS) to Increase Colon Cancer Screening and Support	5R01CA121125-03	06/01/09	05/31/10	172,391
93.393	Systems of Support (SOS) to Increase Colon Cancer Screening and Support	5R01CA121125-04	06/01/10	05/31/11	261,585
93.393	Commonly Used Medications & Breast Cancer Recurrence	5R01CA120652-03	08/01/09	07/31/10	205,871
93.393	Commonly Used Medications & Breast Cancer Recurrence	5R01CA120562-04	08/01/10	07/31/11	96,702
93.393	Design Consideration for Two-Phase Studies	1R03CA135671-01A1	09/01/09	08/31/10	58,548
93.393	Design Consideration for Two-Phase Studies	5R03CA135671-02	09/01/10	10/31/10	9,842
93.393	Optimizing An Online Motivational Tobacco Cessation Program	1R01CA138598-01	03/01/09	12/31/09	(41,281)
93.393	Optimizing An Online Motivational Tobacco Cessation Program	5R01CA138598-02	01/01/10	12/31/10	592,361
93.393	Oral Contraceptive Use By Formulation and Breast Cancer Risk By Subtype	1R03CA141485-01	07/06/09	06/30/10	27,743
93.393	Oral Contraceptive Use By Formulation and Breast Cancer Risk By Subtype	5R03CA141485-02	07/01/10	06/30/11	31,119
93.393	Algorithms to Identify Second Breast Cancer Events From Electronic Data	1R21CA143242-01	01/04/10	12/31/10	187,948
93.393	Estimating The Cumulative Risk of A False-Positive Screening Mammogram	1R03CA150007-01	06/01/10	05/31/11	39,425
93.393	Breast Cancer Surveillance In A Defined Population-Bridge Funding	3U01CA063731-15S2	08/01/09	07/31/11	105,978
93.393	Statistical Coordinating Center for The Breast Cancer Surveillance Consortium	3U01CA086076-10S2	08/01/09	07/31/11	292,782
93.393	Statistical Coordinating Center for The Breast Cancer Surveillance Consortium	5U01CA086076-10	08/01/09	07/31/11	5,637
93.393	Statistical Coordinating Center for The Besc – Administrative Supplement Medicare Data	5U01CA086076-10	08/01/09	07/31/11	42,157
93.399	Building A Pharmacovigilance Population-Based Laboratory – Crn3 Administrative Supplement	5U19CA079689-11	05/01/09	04/30/10	444,688
93.399	Building A Pharmacovigilance Population-Based Laboratory – Crn3 Administrative Supplement	5U19CA079689-12	06/15/10	04/30/11	27,730
93.399	Cancer Research Networks Across Healthcare Systems: Crn Scholar Pilot Funds	5U19CA079689-12	06/15/10	04/30/11	2,375

**GROUP HEALTH COOPERATIVE AND SUBSIDIARIES**

Schedule of Expenditures of Federal Awards

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<b>CFDA number</b>	<b>Description</b>	<b>Pass-through entity or award identifying number</b>	<b>Award start date</b>	<b>Award end date</b>	<b>Expenditures</b>
93.399	Crn3 Administrative Supplement: Developing An Hmorn Collaboratory	3U19CA079689-12S2	06/15/10	04/30/11	\$ 183,383
93.399	The Colonoscopy Lookout Utilization and Effectiveness (C.L.U.E.) Study: Crn Y12 Scholars Pilot Project	5U19CA079689-12	11/01/10	04/30/11	13,392
93.399	Colonoscopy Adenoma Outcomes as Predicted By Lifestyle Risk Factors: Crn Y12 Scholars Pilot Project	5U19CA079689-12	11/01/10	04/30/11	6,631
93.399	Comparing Characteristics of Crn Melanoma Cases to The National Seer Database: Crn Y12 Scholars Pilot Project	5U19CA079689-12	11/01/10	04/30/11	6,673
93.399	Cancer Research Network Across Health Care Systems – Crn3 Infrastructure	5U19CA079689-11	05/01/09	04/30/10	1,371,031
93.399	Cancer Research Network Across Health Care Systems – Crn3 Infrastructure	5U19CA079689-12	06/15/10	04/30/11	1,809,435
93.399	Development of A Versatile Geospatial Database Within The Crn – Crn Pilot	5U19CA079689-11	05/01/09	04/30/10	18,884
93.399	Childhood, Adolescent and Young Adult Cancer Survivors – Crn Pilot	5U19CA079689-11	05/01/09	04/30/10	18,112
93.399	Studying Communication Over The Cancer Care Continuum: A Feasibility Study – Crn Pilot	5U19CA079689-12	06/15/10	04/30/11	31,216
93.399	Crn Ovarian Ip Diffusion	5U19CA079689-12	11/01/10	04/30/11	8,860
93.399	Chemotherapy and Coinsurance: The Effect of Cost-Sharing on Cancer Care – Crn Y10 Pilot	5U19CA079689-11	05/01/09	04/30/10	18,577
93.399	Radiation Induced Cancers – Crn Pilot	5U19CA079689-11	05/01/09	04/30/10	4,332
93.399	Lymph Node Examination In Colorectal Cancer: Predictors of Adequate Staging and its Influence on Cancer Survival in Community Practice – Crn Pilot	5U19CA079689-12	06/15/10	04/30/11	45,479
93.399	Opportunistic Colorectal Cancer Screening: Providing Fit With Annual Flu Shots – Crn Pilot	5U19CA079689-11	05/01/09	04/30/10	13,729
93.399	Development of A Model for Predicting Prostate Cancer – Crn Pilot	5U19CA079689-11	05/01/09	04/30/10	777
93.399	Obesity, Diabetes and The Metabolic Syndrome as Risk Factors for Cancer in Young Adults – Crn Pilot	5U19CA079689-12	06/15/10	04/30/11	47,719
93.399	Socioeconomic Diversity In Integrated Healthcare Delivery Systems – Crn Pilot	5U19CA079689-11	05/01/09	04/30/10	5,291
93.399	Preventing Errors In The Home Care of Children With Cancer – Crn Pilot	5U19CA079689-11	05/01/09	04/30/10	6,018
93.399	Nonmelanoma Skin Cancer Ascertainment In The Hmo Setting – Crn Pilot	5U19CA079689-12	06/15/10	04/30/11	9,288
93.399	Cancer Research Network Across Health Care Systems – Crn3 Health Literacy	5U19CA079689-11	05/01/09	04/30/10	242,025
93.399	Cancer Research Network Across Health Care Systems – Crn3 Health Literacy	5U19CA079689-12	06/15/10	04/30/11	232,136
93.399	Media Coverage and Direct-To-Consumer Advertising of Genetic Tests – Crn Pilot	5U19CA079689-11	05/01/09	04/30/10	51,067
93.399	Crn Pilot: Does Weight Loss Among Postmenopausal Women Decrease Risk of Breast Cancer?	5U19CA079689-12	06/15/10	04/30/11	34,286
93.399	Cancer Research Network Across Health Care Systems – Crn3 Economic Burden	5U19CA079689-11	05/01/09	04/30/10	46,833
93.399	Cancer Research Network Across Health Care Systems – Crn3 Cancer Prevention Index	5U19CA079689-11	05/01/09	04/30/10	18,752
93.837	Long Term Outcomes and Costs of Web-Based Hypotension Care	2R01HL075263-05	12/01/09	11/30/10	195,592
93.837	Long Term Outcomes and Costs of Web-Based Hypotension Care	5R01HL075263-06	12/01/10	11/30/11	23,019
93.847	Translating The Dpp In An Hmo Setting: Telephone Intervention Planning Grant	1R34DK076555-01A2	09/01/09	08/31/10	156,445
93.847	Translating The Dpp In An Hmo Setting: Telephone Intervention Planning Grant	5R34DK076555-02	09/01/10	08/31/11	74,620
93.864	Ectopic Pregnancy: Assessing Long-Term Trends In Rates and Risk Factors	5R03HD052687-02	04/01/08	03/31/10	2
93.865	Oral Contraceptive Use and Bone Density In Young Women	5R01HD031165-13	04/01/08	03/31/11	64,272
93.866	Alzheimers Disease Patient Registry	2U01AG006781-22A1	09/15/09	08/31/10	1,608,740

**GROUP HEALTH COOPERATIVE AND SUBSIDIARIES**

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<b>CFDA number</b>	<b>Description</b>	<b>Pass-through entity or award identifying number</b>	<b>Award start date</b>	<b>Award end date</b>	<b>Expenditures</b>
93.866	Alzheimers Disease Patient Registry	5U01AG006781-23	09/01/10	08/31/11	\$ 425,770
93.866	Pharmacoepidemiology In The Elderly Medications, Pneumonia Risk, and Confounding	5K23AG028954-03	09/01/09	08/31/10	133,316
93.866	Pharmacoepidemiology In The Elderly: Medications, Pneumonia Risk, and Confounding	5K23AG028954-04	09/01/10	08/31/11	55,552
93.866	Healthcare Improvement for Aging Women	5T32AG027677-03	05/01/09	04/30/10	69,123
93.866	Msi Flash: An Rct of Yoga and Ultra Low Dose Estrogen for Vasomotor Symptoms	5U01AG032682-02	09/01/09	08/31/10	165,573
93.866	Msi Flash: An Rct of Yoga and Ultra-Low Dose Estrogen Gel for Vasomotor Symptoms	5U01AG032682-03	09/01/10	08/31/11	89,286
93.866	Oral Contraceptive Use and Fractures Around The Menopausal Transition	5R01AG030086-02	06/01/09	05/31/10	206,439
93.866	Oral Contraceptive Use and Fractures Around The Menopausal Transition	5R01AG030086-03	06/01/10	05/31/11	238,943
93.866	Transition to Long-Term Opioid Use Among Older Adults With Chronic Pain	1R01AG034181-01A1	05/15/10	04/30/11	266,752
93.866	Healthcare Improvement for Aging Women: Seguin	5T32AG027677-04	05/01/10	04/30/11	35,615
93.866	Healthcare Improvement for Aging Women: Tom	5T32AG027677-04	05/01/10	04/30/11	17,525
93.866	Healthcare Improvement for Aging Women: Lakey	5T32AG027677-04	05/01/10	04/30/11	23,216
93.866	Healthcare Improvement for Aging Women: Rillamas-Sun	5T32AG027677-04	05/01/10	04/30/11	16,946
93.RD	Vaccine & Treatment Evaluation Units (VTEUS): Eval of Control Measures against Disease Other than Aids	HHSN272200800004C	11/01/07	10/31/11	282,584
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other Than Aids – 09-0018 Infant Increased Tiv – Development	HHSN272200800004C	05/01/10	10/31/10	6,373
93.RD	Examining The Association Between Mammographic Density and Survival Among Women Diagnosed With Invasive Breast Cancer	HHSN261200900571P	09/15/09	03/14/11	24,872
93.RD	International Variation In Ductal Carcinoma In Situ (DCIS) Rates and Treatment Among Screened Women	HHSN261201000273P	04/20/10	04/19/11	9,753
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures against Diseases Other than Aids – 09-0056 H1N1 Pregnancy – Implementation	HHSN272200800004C	08/30/09	10/31/11	62,097
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other Than Aids – 10-0017 H5N1 Mix Match	HHSN272200800004C	12/16/10	10/31/11	854
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other Than Aids – 09-0002 Smallpox Protocol Development	HHSN272200800004C	02/01/09	04/30/10	92,284
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other Than Aids – 09-0043 Csl H1N1 – Development	HHSN272200800004C	07/05/09	04/30/10	(19,708)
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Disease Other Than Aids – 09-0072 H1N1 Preg Novartis – Development	HHSN272200800004C	10/01/09	04/30/10	24
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other Than Aids – 09-0002 Smallpox – Implementation	HHSN272200800004C	01/16/10	10/31/11	954,949

**GROUP HEALTH COOPERATIVE AND SUBSIDIARIES**

Schedule of Expenditures of Federal Awards

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<b>CFDA number</b>	<b>Description</b>	<b>Pass-through entity or award identifying number</b>	<b>Award start date</b>	<b>Award end date</b>	<b>Expenditures</b>
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other Than Aids – 09-0043 Csl H1N1 – Implementation	HHSN272200800004C	08/01/09	10/31/10	\$ 389,577
93.RD	Vaccine & Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other Than Aids – 09-0072 H1N1 Preg Novartis – Implementation	HHSN272200800004C	11/01/09	10/31/11	67,753
93.RD	Phase 1/2 Randomized Study of The Safety and Immunogenicity of Vaccination Strategies Using One Or Two Clades and Different Schedules of H5N1 Unadjuvanted, Inactivated Subvirion Influenza Vaccines In H5 Naive Health Adults	HHSN272200800004C	11/01/07	10/31/10	32,727
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other Than Aids – 09-0058 H1N1 Mix Match – Development	HHSN272200800004C	07/05/09	04/30/10	(27,978)
93.RD	Vaccine & Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other Than Aids – 09-0073 H1N1 Hiv – Development	HHSN272200800004C	11/01/09	04/30/10	8,984
93.RD	A Phase I Randomized Study of The Safety, Dose Escalation, and Immunogenicity of Adjuvanted Influenza Anhui/H5 Boosting In Subjects Previously Immunized With One Or Two Doses of A/ Vietnam/04/H5 or in Unprimed Individuals and Compared to Pla	HHSN272200800004C	12/07/08	10/31/10	86,928
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other Than Aids – 09-0033 Maternal Influenza – Implementation	HHSN272200800004C	06/07/09	10/31/11	40,334
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other Than Aids – 09-0058 H1N1 Mix Match – Implementaion	HHSN272200800004C	08/30/09	10/31/11	305,886
93.RD	Vaccine & Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other Than Aids – 09-0073 H1N1 Hiv – Implementation	HHSN272200800004C	11/01/09	10/31/11	75,026
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other Than Aids – 08-0013 H5N1 Avian Influenza Extension – Implementation	HHSN272200800004C	07/01/09	10/31/11	499,449
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other Than Aids – 09-0047 Tiv H1N1 Children – Development	HHSN272200800004C	07/05/09	04/30/10	(8,869)
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other Than Aids – 09-0005 H1N1 Preg Flu – Development	HHSN272200800004C	05/01/10	10/31/10	54,460
93.RD	Vaccine & Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Disease Other Than Aids – 05-0048 Material Vaccination Protocol – Implementation	HHSN272200800004C	09/12/10	10/31/11	28,609
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Disease Other Than Aids – 09-0005 H1N1 Preg Flu – Implementation	HHSN272200800004C	09/12/10	10/31/11	217,126

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93.RD	A Randomized, Double-Blinded, Controlled, Phase I, Study of The Safety, Reactogenicity, and Immunogenicity of Intramuscular Inactivated Influenza A/H5N1 Vaccine given alone or with AS03 in Healthy Adults	HHSN272200800004C	06/22/09	04/30/10	\$ (13,800)
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other Than Aids – 09-0054 H1N1 Children – Development	HHSN272200800004C	07/05/09	04/30/10	43,584
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other Than Aids – 09-0007 Postpartum Flu	HHSN272200800004C	05/01/10	10/31/11	23,927
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other Than Aids – 08-0017 Rotavirus Protocol	HHSN272200800004C	02/01/09	10/31/11	45,732
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Disease Other Than Aids – 09-0054 H1N1 Children – Implementation	HHSN272200800004C	08/01/09	10/31/10	(86,688)
<b>Agency for Healthcare Research and Quality:</b>					
ABT Associates Inc.:					
93.RD	Multi-Media Resources: Self Management Support Guidance for Primary Care Clinicians and Patients	HHSA290200600011I	01/01/10	12/31/11	21,032
Bedford Va Research Corp, Inc.:					
93.226	Cahps Hit (Consumer Assessment of Healthcare Providers and Systems)	5U18HS016978-02	09/01/09	08/31/10	5,055
Harvard Pilgrim Health Care:					
93.226	Hmo Research Network Cert Iii – Infrastructure	5U18HS016955	09/01/09	08/31/10	22,177
93.226	Hmo Research Network Cert Iii – Infrastructure	5U18HS016955	09/01/10	08/31/11	2,680
93.226	Hmo Research Network Cert Iii – Adr	5U18HS016955	09/01/08	12/31/09	(10,847)
93.226	Hmo Research Network Cert Iii – Adr	5U18HS016955	09/01/09	08/31/10	20,656
93.RD	Expansion of The Decide Distributed Research Network Infra – Structure to Support Studies of Comparative Effectiveness – Phase II	HHSA29020050033I-TO12	12/16/09	12/31/11	35,255
93.RD	Developing Validated Algorithms to Ascertain Medical Procedures used during Pregnancy	HHSA29020050033I	10/14/09	09/30/10	23,923
Kaiser Permanente Division of Research:					
93.RD	Health Outcomes of Bariatric Surgery In Type 2 Diabetes	HHSA290-2005-0033-1	02/01/09	06/15/10	18,864
93.RD	The Impact of Intensive Versus Usual Glucose Control and Multiple Risk Factor Intervention Approaches in Individuals with Type 2 Diabetes	HHSA290-2005-0033-I-TO10-WA4	09/22/09	04/30/11	139,549
Seattle Children’s Hospital:					
93.226	Predicting Success In Implementing A Distance Q1 Intervention for Asthma	1R18HS018156-01	09/30/09	07/31/10	19,080
93.226	Predicting Success In Implementing A Distance Q1 Intervention for Asthma	5R18HS018156-02	08/01/10	07/31/11	5,022
University of Washington:					
93.226	Diabetes Mellitus, Comorbid Conditions and Mortality	1R21HS017657-01	09/30/08	09/29/10	813
<b>Centers for Disease Control and Prevention:</b>					
Americas Health Insurance Plan:					
93.RD	Vaccine Safety Datalink Elective Activity A Children	200-2002-00732	10/01/09	09/30/10	644,589
93.RD	Vaccine Safety Datalink Elective Activity A Children	200-2002-00732	10/01/10	09/30/11	190,225
93.RD	Vaccine Safety Datalink Elective Activity B Adults	200-2002-00732	10/01/09	09/30/10	333,110
93.RD	Vaccine Safety Datalink Elective Activity B Adults	200-2002-00732	10/01/10	09/30/11	56,992

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93.RD	Population-Based Surveillance for Influenza and Adverse Events Potentially Associated With Receipt of Medical Countermeasures for Seasonal and Pandemic Influenza	200-2002-00732	10/01/06	09/30/11	\$ 7,215
93.RD	Vaccine Safety Datalink Elective Activity A Children	200-2002-00732	07/01/10	06/30/11	2,938
93.RD	Vaccine Safety Datalink Elective Activity B Adults	200-2002-00732	07/01/10	06/30/11	2,936
93.260	Center for Health Training: The Impact of Chlamydia Control Programs on Chlamydia Prevalence, Chlamydia Reinfection Rates, and Reproductive Outcomes	6FPTPA100014-27	10/16/09	08/31/10	36,240
93.283	Fred Hutchinson Cancer Research Center: Prevention of Ovarian Cancer in Women Participating in Mammography	5R18DP001142-03	09/30/09	09/29/11	62,446
93.941	Latino Commission on AIDS: Evidence-Based Hiv Behavioral Intervention: Insights – A Tailored Minimal Self-Help Intervention to Promote Condom use in Young Women	5H62PS001325-02	09/30/09	09/29/10	31,774
93.977	Public Health – Seattle & King County: Chlamydia Surveillance In Washington State	5H25PS001349-02	09/01/09	09/30/10	57,032
93.945	Seattle Children’s Hospital: Search for Diabetes In Youth In The Puget Sound Region	5U01DP000244-04	09/30/08	09/29/09	(616)
93.945	Search for Diabetes In Youth In The Puget Sound Region	5U01DP00244-05	09/30/09	09/29/10	14,229
93.945	Search for Diabetes In Youth	2U01DP00244-06	09/30/10	09/29/11	4,143
93.135	University of Washington: Alliance for Reducing Cancer, Northwest (Arc Nw)	1U48DP001911-01REV	09/30/09	09/29/10	5,338
93.135	Alliance for Reducing Cancer, Northwest (Arc Nw)	5U48DP001911-02	09/30/10	09/29/11	2,470
93.283	Uw Northwest Center for Public Health Preparedness	5U90TP024247-06	09/01/08	08/08/10	20,229
<b>Department of Defense:</b>					
12.800	University of Washington: Data Investigation of Bariatric Surgery Outcome and Economic Savings	FA7014-08-2-0002	10/01/08	09/30/11	65,715
<b>Department of Health and Human Services:</b>					
93.RD	MDRC: Depression Intervention for Medicaid Participants in Ri Task 12	233-01-0012	01/01/08	06/30/10	325
<b>Food and Drug Administration:</b>					
93.RD	Harvard Pilgrim Health Care: Hmorn Cert Fda Prescribing In Pregnancy/Birth Outcomes	HHSF223200510012C-COA7	08/18/08	09/22/10	42,613
93.RD	Hmorn Cert Fda Prescribing In Pregnancy/Birth Outcomes	HHSF223200510012C-COA7	09/23/09	09/22/10	(1,700)
93.RD	Detection and Analysis of Adverse Events Related to Regulated Automated Healthcare Data. Efforts to Develop The Sentinel Initiative	HHSF223200910006I	09/23/09	09/22/10	55,113
93.RD	Cardiovascular Risk With Combined Use of Thiazolidinediones and Fibrates	HHSF223200510010C	10/15/09	01/31/10	3,220
93.RD	Detection and Analysis of Adverse Events Related to Regulated Products in Automated Healthcare Data (Efforts to Develop The Sentinel Initiative) – Sentinel Initiative Infrastructure for the Coordinating Center (CC)	HHSF223200910006I	09/23/09	09/22/10	24,731
93.RD	Detection and Analysis of Adverse Events Related to Regulated Products in Automated Healthcare Data (Efforts to Develop The Sentinel Initiative) – Sequential Testing Methods Development	HHSF223200910006I	04/01/10	02/28/11	174,848

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93.RD	Detection and Analysis of Adverse Events Related to Regulated Products in Automated Healthcare Data (Efforts to Develop the Sentinel Initiative) – Review of the Evidence for Selected Health Outcomes of Interest (HOIS)	HHSF223200910006I	04/01/10	02/28/11	\$ 15,934
93.RD	Efforts to Develop The Sentinel Initiative: Mini Sentinel Data Holder Activity 2	HHSF223200910006I	04/01/10	09/22/10	15,356
93.RD	Efforts to Develop The Sentinel Initiative: Mini Sentinel Data Holder Activity 3	HHSF223200910006I	04/01/10	09/22/10	15,237
93.RD	Efforts to Develop The Sentinel Initiative: Mini Sentinel Data Holder Activity 4	HHSF223200910006I	04/01/10	09/22/10	15,565
93.RD	Efforts to Develop The Sentinel Initiative: Protocol for Active Surveillance of Medical Product-Related Acute Myocardial Infarction Work Group	HHSF223200910006I	04/01/10	02/28/11	11,280
93.RD	Efforts to Develop The Sentinel Initiative-Activity 2: Prepare Summary Tables for Distributed Menu-Driven Queries/Test Modular Programs	HHSF223200910006I	09/23/10	09/22/11	951
93.RD	Efforts to Develop The Sentinel Initiative-Activity 3: Establish Capacity for Timely Response to Mscd Activities	HHSF223200910006I	09/23/10	09/22/11	1,462
93.RD	Efforts to Develop The Sentinel Initiative-Activity 4: Mscdm Expansion to Incorporate Clinical Data in Mscdm	HHSF223200910006I	09/23/10	09/22/11	994
93.RD	Efforts to Develop The Sentinel Initiative-Activity 1: Updating Mscdm Quarterly	HHSF223200910006I	09/23/10	09/22/11	24,806
93.RD	Efforts to Develop The Sentinel Initiative: Data Holder Common Data Model Infrastructure Activity 5	HHSF223200910006I	04/01/10	02/28/11	9,643
93.RD	Efforts to Develop The Sentinel Initiative: Data Holder Common Data Model Infrastructure Activity 6	HHSF223200910006I	04/01/10	02/28/11	12,544
93.RD	Hmorn Cert Epidemiological Studies of The Adverse Effects of Marketed Drugs: Medication Exposure In Pregnancy Risk Evaluation Program (Meprep)	HHSF223200510012C-COA7	10/01/10	03/21/11	4,173
93.RD	Hmo Research Network Cert III – Adr Antiepileptics	HHSF223200510012C-COA10	09/15/10	03/21/11	2,161
93.RD	Hmorn Cert Epidemiological Studies of The Adverse Effects of Marketed Drugs: Medication Exposure In Pregnancy Risk Evaluation Program (Meprep)	HHSF223200510012C-COA7	10/01/10	03/21/11	857
93.RD	Efforts to Develop The Sentinel Initiative: Detection and Analysis of Adverse Events Related to Regulated Products In Automated Healthcare Data	HHSF223200910006I	04/01/10	02/28/11	2,316
<b>Health Resources and Services Administration:</b>					
University of Washington:					
93.249	UW Public Health Training Centers (Hrsa)	5D20HP00007-10	09/01/09	08/31/10	5,869
<b>National Institutes of Health:</b>					
Black Hills Center for American Indian Health:					
93.837	Web-Based, Patient-Centered Approach to Cvd Risk-Factor Management and Reduction	5U01HL087422-04	07/01/09	06/30/10	10,521
93.837	Web-Based, Patient-Centered Approach to Cvd Risk-Factor Management and Reduction	5U01HL087422-05	07/01/10	06/30/11	9,625

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93.RD	Booz Allen Hamilton, Inc.: Cancer Biomedical Informatics Grid (Cabig) Data Sharing and Intellectual Capital Workplace (Dsic Wg Sg)	GS35F0306J, HHSN27620008003880	02/15/09	02/14/10	\$ 2,221
93.393	Boston Medical Center: Long-Term Survivorship In Older Women With Early Stage Breast Cancer	5R01CA093772-06	08/01/09	07/31/10	127,293
93.393	Long-Term Survivorship In Older Women With Early Stage Breast Cancer	5R01CA093772-07	08/01/10	07/31/11	90,662
93.393	Dana Farber Cancer Institute: Cancer Care Outcomes Research and Surveillance (Cancors)	2U01CA093344-06	09/01/09	07/31/10	25,778
93.393	Cancer Care Outcomes Research and Surveillance (Cancors)	5U01CA093344-07	09/01/10	07/31/11	16,793
93.399	Lung/Colon Cancer Outcomes: The Cancer Research Network	3U01CA093332-05S2	09/01/05	08/31/10	6,943
93.389	Fred Hutchinson Cancer Research Center: Breast Cancer Prognostic Factors/Pathobiology	3R01CA098858-05S1	06/01/10	09/29/10	935
93.393	Colon Cancer Pathways Hyperplastic Polyps and Adenomas	5R01CA097325-06	05/01/09	05/31/10	39,935
93.393	Gene Copy Number Changes In Breast Cancer Survival	5R01CA098415-05	06/01/08	05/31/10	16,340
93.393	Modeling Us Prostate Cancer Trends: Psa, Treatment and Race	5U01CA088160-09	09/01/09	08/31/10	16,595
93.393	Acceptance & Commitment Therapy for Smoking Cessation	1R01CA151251-01	07/01/10	04/30/11	45,055
93.866	Objective Measurement of Vasomotor Symptoms In Msflash Field Pilot Study (Msflash00B)	5U01AG032699-02	09/01/10	08/31/11	2,068
93.866	Msi Flash: An Rct of Yoga and Ultra Low-Dose Estrogen Gel for Vasomotor Symptoms – Centralized Purchases	5U01AG032699-03	10/01/10	08/31/11	38,445
93.279	Free and Clear Inc.: Developing Behavioral Treatment Approaches for Obese Tobacco Quit Line Users	1R21DA026580-01	09/15/09	08/31/10	12,033
93.393	Georgetown University: Cisnet: The “Spectrum” of Breast Cancer Disparities	5U01CA088283-09	09/01/10	08/31/11	3,385
93.393	Henry Ford Health System: Statins & Lymphoid Malignancy Risk In A Large Multi-Site Population-Based Cohort	1R01CA140754-01A1	04/01/10	01/31/12	39,835
93.867	Jaeb Center for Health Research: Cornea Donor Study	5U10EY12358	10/15/06	07/31/13	313
93.393	Kaiser Foundation Health Plan of Colorado: Crn Clinical Communication Research Center – Testing An Optimal Model of Patient-Centered Cancer Care	5P20CA137219-02	09/01/09	08/31/10	239,633
93.393	Crn Clinical Communication Research Center – Testing An Optimal Model of Patient-Centered Cancer Care	5P20CA137219-03	09/01/10	08/31/11	112,734
93.393	Crn Clinical Communication Research Center – Effective Communication for Preventing and Responding to Oncology Adverse Events	5P20CA137219-02	09/01/09	08/31/10	48,132
93.393	Crn Clinical Communication Research Center – Effective Communication for Preventing and Responding to Oncology Adverse Events	5P20CA137219-03	09/01/10	08/31/11	8,265
93.393	Kaiser Foundation Hospitals, Portland: Medical Care Burden of Cancer System and Data Issues	5R01CA114204-03	06/01/09	05/31/10	47,567
93.393	Medical Care Burden of Cancer System and Data Issues	5R01CA114204-04	06/01/10	05/31/11	49,205



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93.837	Kaiser Permanente Division of Research: Hmo Research Network Cardiovascular Research Network	5U19HL091179-03	07/01/09	06/30/10	\$ 24,822
93.837	Hmo Research Network Cardiovascular Research Network	5U19HL091179-04	07/01/10	06/30/11	25,216
93.242	Seattle Children's Hospital: Adolescent Collaborative Care Treatment for Depression	1R01MH085645-01A1	08/24/09	05/31/11	340,328
93.866	Seattle Institute for Biomedical Research: Mci, Insulin, and Cholesterol In A Community Based Sample	5R01AG024180-04	04/01/09	03/31/10	78,102
93.866	Mci, Insulin, and Cholesterol In A Community Based Sample	5R01AG024180-05	04/01/10	03/31/11	261,661
93.393	Sloan Kettering Institute: Population Based Colonoscopy Screening Feasibility Trial	2R01CA079572-10	05/01/09	04/30/10	70,091
93.393	Population Based Colonoscopy Screening Feasibility Trial	5R01CA079572-11	05/01/10	04/30/11	110,623
93.393	Coordinating Center for Colorectal Microsimulation: Diffusion of Endoscopy by Race	5U01CA115953-05	09/01/09	08/31/10	7,219
93.393	Modeling Effective Health Policies for Colorectal Cancer	1U01CA152959-01	09/01/10	08/31/11	34,946
93.393	Observational Studies of Colonoscopy: Exploring The Use of Automated Data	5U01CA115953-05	09/01/10	08/30/11	9,042
93.393	SRI International: Treatment of Nicotine Dependence In An Hmo Setting	5R01CA71358-05A1	06/01/06	05/31/10	31,099
93.279	Stanford University: Exploratory/Developmental Study of Pharmacogenetic Smoking Cessation Therapy	7R21DA027331-02	07/15/09	03/31/11	133,954
93.172	University of Alaska, Fairbanks: Ethics of Dissemination: Communicating With Participants About Genetics Research	1R01HG005221-01	09/20/10	07/31/11	224
93.393	University of California, Davis: Screening Mammography In Elderly Women Using Linked Besc Medicare Data	1R03CA139567-01	06/01/09	05/31/10	42,439
93.393	Screening Mammography In Elderly Women Using Linked Besc Medicare Data	5R03CA139567-02	06/17/10	05/31/11	48,872
93.279	University of California, San Francisco: Pharmacogenetics of Nicotine Addiction and Treatment	5U01DA020830-05	07/01/09	06/30/10	10,989
93.393	Radiation Exposure From Medical Imaging: Are Doses In Carcinogenic Range?	5R21CA131698-02	09/01/09	08/31/11	83,578
93.393	Risk of Cancer With Incidental Findings Identified on Ultrasound Imaging	1R21CA132987-01A2	04/01/09	03/31/10	31,515
93.393	Risk of Cancer With Incidental Findings Identified on Ultrasound Imaging	5R21CA132987-02	04/01/10	03/31/11	53,610
93.398	Risk of Cancer In Incidental Findings Identified on Ultrasound Imaging	5K24CA125036-02	09/01/09	06/30/11	13,263
93.393	University of Missouri, Columbia: Mammography Utilization Among A Cohort of Women	5R01CA134196-02	06/01/09	05/31/10	13,212
93.393	University of Vermont: The Dissemination Administrative Supplement to The Vermont Breast Cancer Surveillance System	3U01CA070013-14S2	08/01/08	07/31/10	7,734

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	<b>University of Washington:</b>				
93.226	Training Doctors to Disclose Unanticipated Outcomes to Patients	5R01HS016506-02	09/30/09	09/29/10	\$ 14,121
93.226	Training Doctors to Disclose Unanticipated Outcomes to Patients	5R01HS016506-03	09/30/10	09/29/11	4,944
93.242	A Randomized Trial of Liaison Psychiatry In Primary Care	5R01MH041739-21	09/01/06	07/31/11	537,778
93.242	Assessment of Adherence In Clinical Care	1R01MH084759-01	11/01/08	08/31/11	135,662
93.242	For Moms: Culturally Relevant Treatment for Perinatal Depression	1R01MH084897-01A1	06/15/09	03/31/11	23,379
93.273	Collaborative Care for Primary Care Patients With Alcohol Use Disorders	1R01AA018702-01	09/25/10	08/31/11	461
93.389	Institutional and Translational Science Award (U11)	5UL1RR025014-03	06/01/09	05/31/10	263,700
93.389	Institutional and Translational Science Award (U11)	5UL1RR025014-04	06/01/10	05/31/11	204,000
93.389	Institutional and Translational Science Award (U11)	3UL1RR025014-03	06/01/09	05/31/10	15,329
93.389	Reducing Disparities and Improving Care for Depression In Ob-Gyn Clinics	1R01MH085668-01A1	08/01/09	05/31/11	27,435
93.393	Understanding Variability In Community Mammography	5R01CA107623-06	06/01/05	04/30/11	74,536
93.398	Risk of Non-Hodgkin'S Lymphoma In Relation to Tricyclic Antidepressant Use	2K05CA092002-06A2	07/01/10	06/30/11	2,264
93.837	Genome Wide Case Only Study to Identify Htn Drug Gene Interactions	5R01HL085251-03	07/01/09	06/30/10	58,351
93.837	Genome Wide Case Only Study to Identify Htn Drug Gene Interactions	5R01HL085251-04	07/01/10	08/31/11	85,086
93.837	Genomics of Sudden Cardiac Arrest	1R01HL088456-01	09/01/07	08/31/10	13,855
93.837	Human Genetic Variation In Fatty Acid Metabolism and Sudden Cardiac Arrest	1R01HL091244-01	03/07/08	08/31/10	15,275
93.839	Estrogens and Pharmacogenetic Risks of Venous Thrombosis in Post Menopausal Women	2R01HL073410-05A2	08/27/09	05/31/10	17,736
93.839	Estrogens and Pharmacogenetic Risks of Venous Thrombosis in Post Menopausal Women	5R01HL073410-06	06/01/10	05/31/11	28,025
93.839	Pharmacologic and Pharmacogenetic Associations With Recurrent Venous Thrombosis	1R01HL095080-01	09/26/08	07/31/11	202,488
93.846	Patient Reported Outcomes In Routine Clinical Care of Patients Infected with HIV	1U01AR057954-01	09/30/09	07/31/10	58,268
93.846	Patient Reported Outcomes In Routine Clinical Care of Patients Infected with HIV	5U01AR057954-02	08/01/10	07/31/11	26,064
93.847	Feasibility, Efficacy, and Mechanisms of Surgical Vs Medical Diabetes Treatment	1R01DK089528-01	08/18/10	06/30/11	7,413
93.848	Food Environment, Diet Quality, and Disparities In Obesity	5R01DK076608-02	03/01/08	02/28/11	82,886
93.859	Pharmacogenetics In Rural and Underserved Populations	1U01GM092676-01	07/01/10	06/30/11	20,927
93.865	Midlife Cognitive Change and Risk of Cognitive Decline	5R37AG024102-05	08/01/08	07/31/10	10,744
93.866	Pharmaconeuropathology of Brain Aging and Dementia	R01AF023801	08/01/06	07/31/08	(661)
93.866	Pharmaconeuropathology of Brain Aging and Dementia	5R01AF023801-04	08/01/08	07/31/10	19,860
93.866	Trajectories Toward Dialysis Among Patients of Different Ages	5K23AG028980-04	06/01/10	08/31/10	9,101
93.866	Cognitive Behavioral Therapy for Arthritis Pain and Insomnia In Older Adults	1R01AG031126-01	09/01/08	07/31/11	435,854
	<b>National Institutes of Health:</b>				
93.701	ARRA – Can Longitudinal Population-Based Data Help to Personalize Depression Treatment?	1R01MH085930-01	06/01/09	05/31/10	145,690
93.701	ARRA – Can Longitudinal Population-Based Data Help to Personalize Depression Treatment?	5R01MH085930-02	06/01/10	05/31/11	203,118

**GROUP HEALTH COOPERATIVE AND SUBSIDIARIES**

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<b>CFDA number</b>	<b>Description</b>	<b>Pass-through entity or award identifying number</b>	<b>Award start date</b>	<b>Award end date</b>	<b>Expenditures</b>
93.701	ARRA – Promoting Oral Health Among Tobacco Users: A Pilot Feasibility Study	1R21DE019525-01A1	08/13/09	07/31/10	\$ 135,356
93.701	ARRA – Promoting Oral Health Among Tobacco Users: A Pilot Feasibility Study	5R21DE019525-02	08/01/10	07/31/11	90,616
93.701	ARRA – Assessing The Impact of Colorectal Cancer Screening	3U01CA097427-08S1	08/01/09	07/31/11	95,072
93.701	ARRA – Systems of Support (SOS) to Increase Colon Cancer Screening and Follow-Up	3R01CA121125-03S1	08/01/09	07/31/11	391,769
93.701	ARRA – Search: Cancer Screening Effectiveness and Research In Community-Based Healthcare	1RC2CA148576-01	09/30/09	08/31/10	1,005,580
93.701	ARRA – Search: Cancer Screening Effectiveness and Research In Community-Based Healthcare	5RC2CA148576-02	09/01/10	08/31/11	522,951
93.701	ARRA – Multi-Center Study of Pancreatic Cancer Etiology	3R01CA102765-05	09/30/09	09/29/11	35,086
93.701	ARRA – Collaborative Behavioral E-Care to Decrease Cardiovascular Risk (E-Compare)	1RC1HL100590-01	09/30/09	07/31/10	285,265
93.701	ARRA – Collaborative Behavioral E-Care to Decrease Cardiovascular Risk (E-Compare)	5RC1HL100590-02	08/01/10	07/31/11	173,304
93.701	ARRA – Commonly Used Medications and Breast Cancer Recurrence	3R01CA120562-03S1	09/30/09	09/29/11	224,466
93.701	ARRA – Statistical Coordinating Center for The Breast Cancer Surveillance Consortium	3U01CA086076-10S1	09/30/09	09/29/11	229,626
93.701	ARRA – Natural Language Processing for Cancer Research Network Surveillance Studies	1RC1CA146917-01	09/30/09	08/31/10	150,925
93.701	ARRA – Natural Language Processing for Cancer Research Network Surveillance Studies	5RC1CA146917-02	09/01/10	08/31/11	155,780
93.701	ARRA – Comparative Effectiveness of Breast Imaging Strategies In Community Practices	1RC2CA148577-01	09/30/09	08/31/10	646,753
93.701	ARRA – Comparative Effectiveness of Breast Imaging Strategies In Community Practices	5RC2CA148577-02	09/01/10	08/31/11	338,453
93.701	ARRA – Cancer Research Network Across Health Systems – Crn Administrative Supplement: Developing A Mental Health Data Resource	3U19CA079689-12S1	07/09/10	04/30/11	665,865
93.701	ARRA – Comparative Effectiveness of Breast Imaging Strategies In Community Practices	1RC2CA148577-01	09/30/09	08/31/10	141,902
93.701	ARRA – Comparative Effectiveness of Breast Imaging Strategies In Community Practices	5RC2CA148577-02	09/01/10	08/31/11	74,949
<b>Agency for Healthcare Research and Quality:</b>					
ABT Associates Inc.:					
93.RD	ARRA – Technical Assistance to Arra Complex Patient Grantees	HHS290-2010-00004I – to 2	09/27/10	09/26/11	11,679
Kaiser Permanente Division of Research:					
93.715	ARRA – Scalable Partnering Network for Cer: Across Lifespan, Conditions, and Settings	1R01HS019912-01	09/30/10	09/29/11	5,319
93.715	ARRA – Multi-Institutional Consortium for Cer In Diabetes Treatment and Prevention	1R01HS019859-01	09/30/10	09/29/11	21,779
University of Washington:					
93.715	ARRA – Arra: Uw Centers for Comparative and Health Systems Effectiveness Training Program – Chase	1K12HS019482-01	07/01/10	06/30/11	49,538

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<b>CFDA number</b>	<b>Description</b>	<b>Pass-through entity or award identifying number</b>	<b>Award start date</b>	<b>Award end date</b>	<b>Expenditures</b>
93.715	ARRA – Statins and Ace Inhibitors In Adults With Diabetes and Comorbid Conditions	1R21HS019501-01	09/30/10	09/29/11	\$ 6,181
<b>Department of Health and Human Services:</b>					
93.728	Mayo Clinic, College of Medicine, Rochester: ARRA – Sharp Area 4: Secondary Use of Ehr Data	90TR0002/01	04/01/10	03/31/11	31,466
<b>National Institutes of Health:</b>					
Dana Farber Cancer Institute:					
93.701	ARRA – Building Cer Capacity: Aligning Crn, Cms and State Resources to Map Cancer Care	1RC2CA148185-01	09/29/09	08/31/10	90,292
93.701	ARRA – Building Cer Capacity: Aligning Crn, Cms and State Resources to Map Cancer Care	5RC2CA148185-02	09/27/10	08/31/11	49,878
Kaiser Foundation Hospitals, Portland:					
93.701	ARRA – Medical Care Burden of Cancer: System and Data Issues – Administrative Supplement	3R01CA114204-03S1	08/01/09	07/31/11	45,058
Kaiser Permanente Division of Research:					
93.701	ARRA – Development of a Cardiovascular Surveillance System in the Cvrn	1RC2HL101666-01	09/30/09	07/31/10	98,069
93.701	ARRA – Development of a Cardiovascular Surveillance System in the Cvrn	5RC2HL101666-02	08/01/10	07/31/11	50,523
93.701	ARRA – Mental Health Disorders and Medication Adherence and Outcomes in Hypertension, Atrial Fibrillation, and Venous Thromboembolism within the Cvrn	3U19HL091179-04S1	09/30/10	09/29/11	4,192
Public Health – Seattle and King County:					
93.724	ARRA – Public Health Seattle King County Cppw Heal	1U58DP002423-01	04/01/10	06/30/12	87,262
93.724	ARRA – Public Health Seattle King County Cppw Tobacco	1U58DP002422-01	04/01/10	07/31/12	38,861
University of Missouri, Kansas City:					
93.701	ARRA – Cam, Medical Service Utilization, and Quality of Care	1R01AT005061-01	09/01/09	08/31/10	201,749
93.701	ARRA – Cam, Medical Service Utilization, and Quality of Care	5R01AT005061-02	09/01/10	08/31/11	95,599
University of Washington:					
93.701	ARRA – Atrial Fibrillation: Incidence, Risk Factors and Genetics	5R01HL068986-06	08/17/09	07/31/11	94,863
93.701	ARRA – Atrial Fibrillation: Incidence, Risk Factors and Genetics	5R01HL068986-06	08/01/10	07/31/11	61,689
93.701	ARRA – Assessing Diagnostics and Variations for Innovative Comparative Effectiveness Research in Cancer	RC2CA148433	09/29/09	08/31/10	145,068
93.701	ARRA – Assessing Diagnostics and Variations for Innovative Comparative Effectiveness Research in Cancer	5RC2CA148433-02	09/01/10	08/31/11	76,173
93.701	ARRA – Nrc: Improving Healthcare for Cognitively Impaired Elders and their Caregivers	1P30AG034592-01	09/30/09	08/31/10	13,155
93.701	ARRA – Nrc: Improving Healthcare for Cognitively Impaired Elders and their Caregivers	5P30AG034592-02	09/01/10	08/31/11	13,652
Vanandel Research Institute:					
93.701	ARRA – Improving Breast Cancer Quality Through a Collaborative Surgery Database	5RC1CA145402-02	09/30/09	08/31/11	90,696

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Schedule of Expenditures of Federal Awards

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<u>CFDA number</u>	<u>Description</u>	<u>Pass-through entity or award identifying number</u>	<u>Award start date</u>	<u>Award end date</u>	<u>Expenditures</u>
	<b>Health Information Technology, Department of Health and Human Services:</b>				
	Inland Northwest Health Service:				
93.727	ARRA – Beacon Community of the Inland Northwest	90BC0011	07/01/10	03/31/11	\$ 23,178
					\$ <u>36,320,512</u>

See accompanying notes to schedule of expenditures of federal awards.

**GROUP HEALTH COOPERATIVE AND SUBSIDIARIES**

Notes to the Schedule of Expenditures of Federal Awards

Year ended December 31, 2010

**(1) Basis of Accounting**

The accompanying schedule of expenditures of federal awards has been prepared from the Group's accounting records and is presented on the accrual basis of accounting.

**(2) Major Program**

The research and development grants are determined to be a cluster of grants. A cluster of grants means a grouping of closely related grants that share common compliance requirements. A cluster of grants shall be considered as one program for determining major programs, as described in §520, *Major Program Determination*, of the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*.

**(3) Subrecipient Awards**

GHC, GHO, KPS, Auxiliary, NCVS, and the Foundation passed through federal awards to subrecipients for:

<u>CFDA number</u>	<u>Program</u>	<u>Subrecipient</u>	<u>Amount</u>
Pass-through – Non-ARRA funds:			
93.172	Development and Use of Network: Infrastructure for High Throughput GWA Studies Y3	Fred Hutchinson Cancer Research Center University of Washington	\$ 73,058 385,741
93.172	Development and Use of Network: Infrastructure for High Throughput GWA Studies Y4	Fred Hutchinson Cancer Research Center University of Washington	9,318 66,767
93.172	Development and Use of Network: Infrastructure for High Throughput GWA Studies Supplement	University of Washington	35,679
93.172	Development and Use of Network: Infrastructure for High Throughput GWA Studies Phenotype Admin. Supplement	University of Washington	34,834
93.213	Measuring Patient Expectations For CAM Therapies	The University of Arizona University of Washington	94,886 28,124
93.226	Transforming Primary Care: Evaluating: The Spread of Group Health's Medical Home	University of Washington	5,976
93.226	Evaluation of Value-Based Health Plan Design	Kaiser Foundation Research Institute University of Washington	38,959 2,000
93.242	Depression Diabetes Care Disparities Adverse Outcomes	University of Washington	(5,008)
93.242	Transition From Prison To Community: A Pilot Intervention of Adherence Support	University of Wisconsin Madison	65,832
93.242	Prevention Needs HIV+ Persons: Awaiting Release From Prison	University of Wisconsin Madison	14,371

**GROUP HEALTH COOPERATIVE AND SUBSIDIARIES**

Notes to the Schedule of Expenditures of Federal Awards

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CFDA number	Program	Subrecipient	Amount
Pass-through – Non-ARRA funds:			
93.242	Patient Portal To Support Treatment Adherence Y2	Kaiser Foundation Research Institute	\$ 1,504
93.242	Patient Portal To Support Treatment Adherence Y2	Kaiser Foundation Research Institute	171,915
93.242	Organized Self-Mgmt Supp Services for Chronic Depression Y1	Swedish Health Services	(40,990)
93.242	Organized Self-Mgmt Supp Services for Chronic Depression Y2	Swedish Health Services	22,976
93.242	Patient Centered Interventions For Mood Disorders	University of Washington	12,415
93.242	Mental Health Research Network: A Population-Based Approach To Transform Research – Infrastructure	Kaiser Foundation Research Institute	25,000
93.242	Mental Health Research Network: Feasibility of Behavioral Activation Therapy For Perinatal Depression	Kaiser Foundation Research Institute	5,901
93.242	Mental Health Research Network: A Geographically And Ethnically Diverse Autism Registry For Effectiveness Studies	Harvard Pilgrim Health Care Kaiser Foundation Research Ins	12,227 28,864
93.242	Mental Health Research Network: Longitudinal Analysis of SSRI Warnings and Suicidality Among Youth (Lassy)	Harvard Pilgrim Health Care Kaiser Foundation Research Institute	23,333 7,765
93.242	Patient Centered Interventions For Mood Disorders	University of Washington	(526)
93.279	Long-Term Opioid Management of Chronic Pain: Trends And Risks	Kaiser Foundation Research Institute University of Washington	12,975 39,860
93.393	Multi Center Study of Pancreatic Cancer Etiology	Kaiser Foundation Research Institute University of Washington Fred Hutchinson Cancer Research Center	11,643 2,491 1,814
93.393	Statistical Coordinating Center for The Breast Cancer Surveillance Consortium Y10	Cancer Research & Biostatistics	18,856
93.393	Design And Inference For Hybrid Ecological Studies	University of Washington	34,785
93.393	Systems of Support (SOS) To Increase Colon Cancer Screening and Support Y3	Fred Hutchinson Cancer Research Center Kaiser Foundation Research Institute	13,025 6,567
93.393	Systems of Support (SOS) To Increase Colon Cancer Screening and Support Y4	Fred Hutchinson Cancer Research Center Kaiser Foundation Research Institute	18,563 9,454
93.393	Optimizing An Online Motivational Tobacco Cessation Program Y1	University of Michigan	(54,684)

**GROUP HEALTH COOPERATIVE AND SUBSIDIARIES**

Notes to the Schedule of Expenditures of Federal Awards

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CFDA number	Program	Subrecipient	Amount
Pass-through – Non-ARRA funds:			
93.393	Optimizing An Online Motivational Tobacco Cessation Program Y2	University of Michigan	\$ 146,478
93.393	Algorithms To Identify Second Breast Cancer Events From Electronic Data	Henry Ford Health System William E Barlow	35,786 300
93.393	Statistical Coordinating Center for The Breast Cancer Surveillance Consortium – Consultant	The University of New Mexico	5,637
93.399	Building A Pharmacovigilance Population-Based Laboratory – CRN3 Administrative Supplement	Harvard Pilgrim Health Care Henry Ford Health System Kaiser Foundation Research Institute Marshfield Clinic	46,048 64,374 204,068 17,886
93.399	Cancer Research Networks Across Healthcare Systems: CRN Scholar Pilot Funds	Harvard Pilgrim Health Care	2,375
93.399	CRN3 Administrative Supplement: Developing an HMORN Collaboratory	Geisinger Clinic Harvard Pilgrim Health Care HealthPartners Research Henry Ford Health System Kaiser Foundation Research Institute Lovelace Clinic Foundation Marshfield Clinic Scott and White Memorial University of Massachusetts	3,399 15,915 14,433 15,795 61,048 3,592 9,622 5,000 9,538
93.399	The Colonoscopy Lookout Utilization And Effectiveness (C.L.U.E.) Study: CRN Y12 Scholars Pilot Project	Geisinger Clinic	13,392
93.399	Colonoscopy Adenoma Outcomes As Predicted By Lifestyle Risk Factors: CRN Y12 Scholars Pilot Project	HealthPartners Research	6,631
93.399	Comparing Characteristics of CRN Melanoma Cases To The National Seer Database: Crn Y12 Scholars Pilot Project	Henry Ford Health System	1,455
93.399	Cancer Research Network Across Health Care Systems – CRN3 Infrastructure Y11	Kaiser Foundation Research Ins Geisinger Clinic Harvard Pilgrim Health Care HealthPartners Research Henry Ford Health System Kaiser Foundation Research Institute Lovelace Clinic Foundation Marshfield Clinic University of Massachusetts	5,218 55,701 172,686 56,055 107,016 369,807 88,633 65,041 114,842



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CFDA number	Program	Subrecipient	Amount
Pass-through – Non-ARRA funds:			
93.399	Cancer Research Network Across Health Care Systems – CRN3 Infrastructure Y12	Geisinger Clinic	\$ 104,415
		Harvard Pilgrim Health Care	153,879
		HealthPartners Research	99,337
		Henry Ford Health System	81,884
		Kaiser Foundation Research Institute	659,706
		Lovelace Clinic Foundation	87,878
		Marshfield Clinic	78,912
		University of Massachusetts	74,260
93.399	Development of A Versatile Geospatial Database Within the CRN – CRN Pilot	Dartmouth College	15,392
93.399	Childhood, Adolescent And Young Adult Cancer Survivors – CRN Pilot	Kaiser Foundation Research Institute	623
93.399	Studying Communication over the Cancer Care Continuum: A Feasibility Study – CRN Pilot	Henry Ford Health System	4,234
		Kaiser Foundation Research Institute	8,010
		University of Massachusetts	12,018
93.399	CRN Ovarian IP Diffusion	Kaiser Foundation Research Institute	7,562
93.399	Chemotherapy And Coinsurance: The Effect of Cost-Sharing on Cancer – CRN Y10 Pilot	Kaiser Foundation Research Institute	18,577
93.399	Radiation Induced Cancers – CRN Pilot	Henry Ford Health System	1,818
		Kaiser Foundation Research Institute	(8,818)
		Marshfield Clinic	5,660
		University of California Regents	(8)
93.399	Lymph Node Examination In Colorectal Cancer: Predictors of Adequate Staging and its Influence on Cancer Survival In Community Practice – CRN Pilot	Marshfield Clinic	45,479
93.399	Opportunistic Colorectal Cancer Screening: Providing Fit With Annual Flu Shots – CRN Pilot	Kaiser Foundation Research Institute	13,729
93.399	Development of A Model for Predicting Prostate Cancer - CRN Pilot	Marshfield Clinic	777
93.399	Obesity, Diabetes and the Metabolic Syndrome As Risk Factors for Cancer in Young Adults – CRN Pilot	Kaiser Foundation Research Institute	47,719
93.399	Socioeconomic Diversity In Integrated Healthcare Delivery Systems - CRN	Lovelace Clinic Foundation	5,291
93.399	Preventing Errors In The Home Care of Children With Cancer – CRN Pilot	Kaiser Foundation Research Institute	(14,718)
		University of Massachusetts	20,736
93.399	Nonmelanoma Skin Cancer Ascertainment: Ascertainment in the HMO Setting – CRN Pilot	Henry Ford Health System	9,288

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CFDA number	Program	Subrecipient	Amount
Pass-through – Non-ARRA funds:			
93.399	Cancer Research Network Across Health: Health Care Systems – CRN3	Kaiser Foundation Research Institute	\$ 123,186
	Health Literacy Y11	University of Massachusetts	116,579
93.399	Cancer Research Network Across Health: Health Care Systems – CRN3	Kaiser Foundation Research Institute	127,168
	Health Literacy Y12	University of Massachusetts	100,950
93.399	Media Coverage and Direct-to-: Consumer Advertising of Genetic Tests – CRN Pilot	Kaiser Foundation Research Institute	51,067
93.399	CRN Pilot: Does Weight Loss Among Postmenopausal Women Decrease Risk of Breast Cancer?	Henry Ford Health System	1,571
		Kaiser Foundation Research Institute	22,253
		Marshfield Clinic	3,815
93.399	Cancer Research Network Across Health: Health Care Systems – CRN3	Henry Ford Health System	14,674
	Economic Burden	Kaiser Foundation Research Institute	7,740
93.399	Cancer Research Network Across: Health Care Systems – CRN3		
	Cancer Prevention Index	Kaiser Foundation Research Institute	18,752
93.865	Oral Contraceptive Use And Bone Density In Young Women	Fred Hutchinson Cancer Research Center	(1,361)
93.866	Alzheimer’s Disease Patient Registry Y6	Fred Hutchinson Cancer Research Center	18,274
		Swedish Health Services	21,548
		University of Washington	741,153
93.866	Alzheimer’s Disease Patient Registry Y7	Fred Hutchinson Cancer Research Center	7,633
		Swedish Health Services	11,192
		University of Washington	85,575
		VA Puget Sound Health Care	1,360
93.866	MCI, Insulin, and Cholesterol in a Community Based Sample Y4	University of Washington	20,851
93.866	MCI, Insulin, and Cholesterol in a Community Based Sample Y5	University of Washington	87,228
93.866	MSI Flash: An Rct of Yoga And Ultra Low Dose Estrogen Gel For Vasomotor Symptoms Y2	University of Washington	29,564
93.866	MSI Flash: An Rct of Yoga And Ultra- Low Dose Estrogen Gel For Vasomotor Symptoms Y3	University of Washington	15,756
93.866	Oral Contraceptive Use And Fractures Around The Menopausal Transition Transition Y2	University of Washington	7,670
		Fred Hutchinson Cancer Research Center	7,932
93.866	Oral Contraceptive Use And Fractures Around The Menopausal Transition Transition Y3	University of Washington	11,809
		Fred Hutchinson Cancer Research Center	13,498

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CFDA number	Program	Subrecipient	Amount
Pass-through – Non-ARRA funds:			
93.866	Transition To Long-Term Opioid Use among Older Adults With Chronic Pain	University of Washington	\$ 86,671
93.RD	Vaccine & Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Disease Other than AIDS	Children’s Hospital & Regional Medical Center University of Washington	(70,578) (43,552)
93.RD	Vaccine & Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Disease Other than AIDS – 09-0018 Infant Increased TIV – Development	Children’s Hospital & Regional Medical Center	6,373
93.RD	Detection And Analysis of Adverse Ev Events Related to Regulated Products in Automated Healthcare Data (Efforts To Develop The Sentinel Initiative) – Sequential Testing	University of Washington	35,587
93.RD	Detection And Analysis of Adverse Ev Events Related to Regulated Products in Automated Healthcare Data (Efforts To Develop The Sentinel Initiative) – Review of Evidence	University of Washington	1,734
93.RD	Vaccine & Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Disease Other than AIDS – 09-0002 Smallpox Protocol Development	University of Washington	47,818
93.RD	Vaccine & Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Disease Other than AIDS – 09-0043 CSI H1N1 – Development	University of Washington	(19,708)
93.RD	Vaccine & Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Disease Other than AIDS – 09-0002 Smallpox – Implementation	University of Washington	376,707
93.RD	Vaccine & Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Disease Other than AIDS – 09-0043 CSI H1N1 – Implementation	University of Washington	357,346
93.RD	Phase 1/2 Randomized Study of the Safety And Immunogenicity of Vaccination Strategies Using One or two clades and different Schedules of H5N1	University of Washington	31,039

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CFDA number	Program	Subrecipient	Amount
Pass-through – Non-ARRA funds:			
93.RD	Vaccine & Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Disease Other than AIDS – 09-0058 H1N1 Mix Match – Development	University of Washington	\$ (27,978)
93.RD	Vaccine & Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Disease Other than AIDS – 09-0073 H1N1 HIV -Development	University of Washington	8,984
93.RD	A Phase I Randomized Study of the Safety, Dose Escalation, and Immunogenicity of Adjuvanted Influenza Anhui/H5 Boosting in Subjects Previously	University of Washington	27,101
93.RD	Vaccine & Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Disease Other than AIDS – 09-0033 Maternal Influenza – I Influenza – Implementation	University of Washington	7,962
93.RD	Vaccine & Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Disease Other than AIDS – 09-0058 H1N1 Mix Match – Implementation	University of Washington	101,637
93.RD	Vaccine & Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Disease Other than AIDS – 09-0073 H1N1 HIV – Implementation	University of Washington	75,026
93.RD	Vaccine & Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Disease Other than AIDS – 09-0047 TIV H1N1 Children – Development	Children’s Hospital & Regional Medical Center	(8,869)

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CFDA number	Program	Subrecipient	Amount
Pass-through – Non-ARRA funds:			
93.RD	Vaccine & Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Disease Other than AIDS – 05-0048 Material Vaccination Protocol – Implementation	Children’s Hospital & Regional Medical Center University of Washington	\$ (2,401) (12,737)
93.RD	Vaccine & Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Disease Other than AIDS – 09-0054 H1N1 Children – Development	Children’s Hospital & Regional Medical Center	43,584
93.RD	Vaccine & Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Disease Other than AIDS – 08-0017 Rotavirus Protocol Development	Children’s Hospital & Regional Medical Center	(8,301)
93.RD	Vaccine & Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Disease Other than AIDS – 09-0054 H1N1 Children – Implementation	Children’s Hospital & Regional Medical Center	(86,688)
Pass-through – ARRA funds:			
93.701	Promoting Oral Health Among Tobacco Users: A Pilot Feasibility Study Y1	Free & Clear Inc	41,369
93.701	Promoting Oral Health Among Tobacco Users: A Pilot Feasibility Study Y2	Free & Clear Inc	18,134
93.701	Systems of Support (SOS) to Increase Colon Cancer Screening and Follow-up	University of Washington James E Allison Fred Hutchinson Cancer Research Center	26,268 200 43,822
93.701	Search: Cancer Screening Effectiveness and Research in Community-based Healthcare Y1	Geisinger Clinic Harvard Pilgrim Health Care Healthpartners Research Kaiser Foundation Research Institute Marshfield Clinic University of Massachusetts University of Washington	18,429 3,243 17,438 198,491 6,988 204,910 12,091

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CFDA number	Program	Subrecipient	Amount
Pass-through – ARRA funds:			
93.701	Search: Cancer Screening Effectiveness and Research in Community-based Healthcare Y2	Geisinger Clinic	\$ 12,637
		Harvard Pilgrim Health Care	1,140
		Healthpartners Research	12,199
		Kaiser Foundation Research Institute	124,018
		Marshfield Clinic	3,082
		University of Massachusetts	163,540
		University of Washington	10,387
93.701	Multi-Center Study of Pancreatic Cancer Etiology	Kaiser Foundation Research Institute	(5,664)
93.701	Statistical Coordinating Center for the Breast Cancer Surveillance Consortium	Georgetown University Medical	9,534
		Oregon Health & Science	82,569
93.701	Natural Language Processing for Cancer Research Network Surveillance Studies Y1	Childrens Hospital	16,594
		Mayo Clinic College	(35,258)
		University of Pittsburgh	13,257
93.701	Natural Language Processing for Cancer Research Network Surveillance Studies Y2	Childrens Hospital	30,860
93.701	Comparative Effectiveness of Breast Imaging Strategies in Community Practices Y1	Dana Farber Cancer Institute	30,532
		Dartmouth College	32,368
		Georgetown University Medical	(26,066)
		Harvard Pilgrim Health Care	(12,156)
		University of California Regents	56,749
		University of North Carolina	59,528
		University of Texas	40,508
		University of Vermont	92,540
		University of Washington	53,999
93.701	Comparative Effectiveness of Breast Imaging Strategies in Community Practices Y2	Dana Farber Cancer Institute	29,088
		Dartmouth College	52,409
		Harvard Pilgrim Health Care	4,172
		University of California Regents	74,128
		University of Texas	14,953
		University of Washington	29,264
93.701	Cancer Research Network Across Health Systems – CRN Administrative Supplement: Developing A Mental Health Data Resource	Harvard Pilgrim Health Care	44,675
		Healthpartners Research	92,318
		Kaiser Foundation Research Ins	395,312
			\$ <u>9,176,474</u>

**GROUP HEALTH COOPERATIVE AND SUBSIDIARIES**

Schedule of Findings and Questioned Costs

Year ended December 31, 2010

**Part I – Summary of Auditors’ Results**

***Financial Statements***

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ Yes \_\_\_ X \_\_\_ No
- Significant deficiencies identified that are not considered to be material weaknesses \_\_\_\_\_ Yes \_\_\_ X \_\_\_ None Reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes \_\_\_ X \_\_\_ No

***Federal Awards***

Internal control over major programs:

- Material weaknesses identified? \_\_\_\_\_ Yes \_\_\_ X \_\_\_ No
- Significant deficiencies identified that are not considered to be material weaknesses \_\_\_ X \_\_\_ Yes \_\_\_\_\_ None Reported

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section 0.510(a))? \_\_\_ X \_\_\_ Yes \_\_\_\_\_ No

Identification of major programs:

<b>CFDA number</b>	<b>Name of federal program</b>
Cluster	Research and Development

Dollar threshold used to distinguish between Type A and Type B programs: \_\_\_ \$ 1,070,281 \_\_\_

Auditee qualified as low-risk auditee? \_\_\_ X \_\_\_ Yes \_\_\_\_\_ No

**Part II – Financial Statement Findings Section**

No matters reported.

**GROUP HEALTH COOPERATIVE AND SUBSIDIARIES**

Schedule of Findings and Questioned Costs

Year ended December 31, 2010

**Part III – Federal Award Findings and Questioned Costs**

**Finding 10-01**

***Criteria***

Management is responsible for ensuring information submitted to the federal government in connection with grant reporting requirements is accurate.

***Statement of Condition***

No documentation was available which supported that federal grant compliance information (ARRA 1512 reports) had been reviewed and approved prior to submittal.

***Questioned Costs***

None noted.

***Cause and Effect***

The lack of review and/or approval could result in inaccurate information being submitted to the federal government in the ARRA 1512 reports.

***Recommendation***

We recommend that management implement a review and approval process over the 1512 submittals.

***View of Responsible Officials***

Management agrees with the recommendation, and will implement a review and approval process effective immediately.

**Finding 10-02**

***Criteria***

Recipients of federal funding are required to verify that vendors used are not on the federal suspension website Excluded Party List System (EPLS), per OMB requirements. Requirements include that all new vendors be checked against the federal suspension database and that all vendors must be checked at least annually.

***Statement of Condition***

Our testwork determined that management checked new vendors against both the EPLS and OIC Web sites to verify the parties were not suspended/disbarred; however, an annual check was only being performed against the OIC Web site.

***Questioned Costs***

None noted.



**GROUP HEALTH COOPERATIVE AND SUBSIDIARIES**

Schedule of Findings and Questioned Costs

Year ended December 31, 2010

***Cause and Effect***

As the annual check is only being performed against the OIC Web site, which could yield different results from the EPLS database, this could cause the Agency to continue to contract with vendors that would be considered suspended/debarred by federal standards.

***Recommendation***

We recommend the Agency include the EPLS database check in the annual review performed with the OIC database check.

***View of Responsible Officials***

Management agrees with the recommendation, and will ensure that an EPLS database check is included as part of the required annual process.