SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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Foundation Healthcare, Inc.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2016

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______to ______

Commission File Number: 001-34171

FOUNDATION HEALTHCARE, INC.
(Exact name of registrant as specified in its charter)

OKLAHOMA	**20-0180812**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

14000 N. Portland Avenue, Ste. 200
Oklahoma City, Oklahoma 73134
(Address of principal executive offices)

(405) 608-1700
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No

As of May 16, 2016, 18,077,894 shares of the registrant's common stock, $0.0001 par value, were outstanding.

FOUNDATION HEALTHCARE, INC.
FORM 10-Q
For the Quarter Ended March 31, 2016

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements under the captions "Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Part II. Item 1A. Risk Factors," and elsewhere in this report constitute "forward-looking statements." Certain, but not necessarily all, of such forward-looking statements can be identified by the use of forward-looking terminology such as "anticipates," "believes," "expects," "may," "will," or "should" or other variations thereon, or by discussions of strategies that involve risks and uncertainties. Our actual results or industry results may be materially different from any future results expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include general economic and business conditions; our ability to implement our business strategies; competition; availability of key personnel; increasing operating costs; unsuccessful promotional efforts; changes in brand awareness; acceptance of new product offerings; and changes in, or the failure to comply with government regulations. We undertake no obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

In this report, for example, we make forward-looking statements, including statements discussing our expectations about: future financial performance and condition; future liquidity and capital resources; future cash flows; existing debt; our business strategy and operating philosophy; effects of competition in our markets; costs of providing care to our patients; our compliance with new and existing laws and regulations as well as costs and benefits associated with compliance; the impact of national healthcare reform; other income from electronic health records ("EHR"); the impact of accounting methodologies; industry and general economic trends; patient shifts to lower cost healthcare plans which generally provide lower reimbursement; reimbursement changes; patient volumes and related revenues; claims and legal actions relating to professional liabilities; governmental investigations and voluntary self-disclosures; and physician recruiting and retention.

Throughout this report the first personal plural pronoun in the nominative case form "we" and its objective case form "us", its possessive and the intensive case forms "our" and "ourselves" and its reflexive form "ourselves" refer collectively to Foundation Healthcare, Inc. and its subsidiaries.

PART I. FINANCIAL INFORMATION

Item 1. Foundation Healthcare, Inc. Condensed Consolidated Financial Statements.

The condensed consolidated financial statements included in this report have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission. The condensed consolidated balance sheet as of December 31, 2015 has been derived from audited financial statements, and the condensed consolidated balance sheet as of March 31, 2016, the condensed consolidated statements of operations for the three months ended March 31, 2016 and 2015, and the condensed consolidated statements of cash flows for the three months ended March 31, 2016 and 2015, have been prepared without audit. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to those rules and regulations, although we believe that the disclosures are adequate to make the information presented not misleading. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and the related notes thereto included in our latest annual report on Form 10-K.

The consolidated statements for the unaudited interim periods presented include all adjustments, consisting of normal recurring adjustments, necessary to present a fair statement of the results for such interim periods. The results for any interim period may not be comparable to the same interim period in the previous year or necessarily indicative of earnings for the full year.

FOUNDATION HEALTHCARE, INC.

Condensed Consolidated Balance Sheets
(Unaudited)

	March 31, 2016	December 31, 2015
ASSETS		
Cash	$ 2,900,261	$ 5,062,492
Accounts receivable, net of allowance for doubtful accounts of $3,663,000 and $6,062,000, respectively	32,457,857	30,383,942
Receivables from affiliates	680,321	509,886
Supplies inventories	4,584,636	3,737,901
Prepaid and other current assets	7,433,688	3,325,330
Current assets from discontinued operations	417,884	416,390
Total current assets	48,474,647	43,435,941
Property and equipment, net	51,853,537	53,515,123
Equity method investments in affiliates	3,127,871	3,012,631
Deferred tax asset	2,036,290	836,290
Intangible assets, net	10,389,354	7,022,170
Goodwill	7,601,809	10,423,858
Other assets	580,580	1,016,093
Other assets from discontinued operations	—	8,713
Total assets	$ 124,064,088	$ 119,270,819
LIABILITIES, PREFERRED NONCONTROLLING INTEREST AND SHAREHOLDERS' DEFICIT		
Liabilities:		
Accounts payable	$ 13,342,753	$ 9,060,060
Accrued liabilities	15,265,666	12,877,711
Preferred noncontrolling interests dividends payable	156,171	157,888
Short-term debt	804,201	308,769
Current portion of long-term debt	4,733,276	4,601,320
Current portion of capital lease obligations	4,319,280	4,478,968
Other current liabilities	495,420	590,827
Current liabilities from discontinued operations	2,358,887	2,356,165
Total current liabilities	41,475,654	34,431,708
Long-term debt, net of current portion	42,429,542	41,529,277
Long-term capital lease obligations, net of current portion	28,541,990	29,130,693
Deferred lease incentive	7,463,915	7,672,745
Other liabilities	6,752,339	6,479,181
Total liabilities	126,663,440	119,243,604
Preferred noncontrolling interest	6,960,000	6,960,000
Commitments and contingencies (Note 10)		
Foundation Healthcare shareholders' deficit:		
Preferred stock $0.0001 par value, 10,000,000 authorized; no shares issued and outstanding	—	—
Common stock $0.0001 par value, 500,000,000 shares authorized; 17,375,394 and 17,303,180 issued and outstanding, respectively	1,737	1,730
Paid-in capital	20,633,155	20,885,915
Accumulated deficit	(34,613,019)	(32,074,090)
Total Foundation Healthcare shareholders' deficit	(13,978,127)	(11,186,445)
Noncontrolling interests	4,418,775	4,253,660
Total deficit	(9,559,352)	(6,932,785)
Total liabilities, preferred noncontrolling interest and shareholders' deficit	$ 124,064,088	$ 119,270,819

See Accompanying Notes to Condensed Consolidated Financial Statements

FOUNDATION HEALTHCARE, INC.

Condensed Consolidated Statements of Operations
For the Three Months Ended March 31, 2016 and 2015
(Unaudited)

	2016	2015
Net Revenues:		
Patient services	$ 38,436,243	$ 27,937,898
Provision for doubtful accounts	(1,921,985)	(421,024)
Net patient services revenue	36,514,258	27,516,874
Management fees from affiliates	913,033	1,249,322
Other revenue	1,209,787	775,954
Revenues	38,637,078	29,542,150
Equity in earnings of affiliates	389,370	438,909
Operating Expenses:		
Salaries and benefits	13,742,548	7,739,863
Supplies	7,622,763	6,069,661
Other operating expenses	16,792,797	14,083,477
Depreciation and amortization	2,748,862	1,381,507
Total operating expenses	40,906,970	29,274,508
Other Income (Expense):		
Interest expense, net	(1,191,946)	(326,066)
Other income	229,565	17,349
Net other (expense)	(962,381)	(308,717)
Income (loss) from continuing operations, before taxes	(2,842,903)	397,834
Benefit (provision) for income taxes	1,200,000	—
Income (loss) from continuing operations, net of taxes	(1,642,903)	397,834
Loss from discontinued operations, net of tax	(11,761)	(113,588)
Net income (loss)	(1,654,664)	284,246
Less: Net income attributable to noncontrolling interests	728,095	1,420,894
Net loss attributable to Foundation Healthcare	(2,382,759)	(1,136,648)
Preferred noncontrolling interests dividends	(157,887)	(195,215)
Net loss attributable to Foundation Healthcare common stock	$ (2,540,646)	$ (1,331,863)
Earnings per common share (basic and diluted):		
Net loss attributable to continuing operations attributable to Foundation Healthcare common stock	$ (0.15)	$ (0.07)
Loss from discontinued operations, net of tax	0.00	(0.01)
Net loss per share, attributable to Foundation Healthcare common stock	$ (0.15)	$ (0.08)
Weighted average number of common and diluted shares outstanding	17,311,947	17,256,347

See Accompanying Notes to Condensed Consolidated Financial Statements

FOUNDATION HEALTHCARE, INC.

Condensed Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2016 and 2015
(Unaudited)

	2016	2015
Operating activities:		
Net income (loss)	$ (1,654,664)	$ 284,246
Less: Loss from discontinued operations, net of tax	(11,761)	(113,588)
Income (loss) from continuing operations, net of tax	(1,642,903)	397,834
Adjustments to reconcile income (loss) from continuing operations, net of tax, to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,748,862	1,381,507
Deferred tax asset	(1,200,000)	—
Stock-based compensation, net of cashless vesting	(252,753)	118,954
Provision for doubtful accounts	1,921,985	421,024
Equity in earnings of affiliates	(389,370)	(438,909)
Changes in assets and liabilities, net of acquisition:		
Accounts receivable, net of provision for doubtful accounts	(3,995,900)	(137,980)
Receivables from affiliates	(170,435)	(9,270)
Supplies inventories	(846,735)	(127,251)
Prepaid and other current assets	(4,108,358)	403,965
Other assets	60,703	(115,625)
Accounts payable	4,247,783	112,451
Accrued liabilities	2,390,643	(1,158,316)
Other current liabilities	(95,407)	(29,772)
Other liabilities	64,328	103,653
Net cash provided by (used in) operating activities from continuing operations	(1,267,557)	922,265
Net cash used in operating activities from discontinued operations	(1,820)	(38,625)
Net cash provided by (used in) operating activities	(1,269,377)	883,640
Investing activities:		
Purchase of property and equipment	(1,225,379)	(282,187)
Disposal of property and equipment	—	98,414
Distributions from affiliates	274,130	743,952
Net cash provided by (used in) investing activities from continuing operations	(951,249)	560,179
Net cash provided by investing activities from discontinued operations	—	—
Net cash provided by (used in) investing activities	(951,249)	560,179
Financing activities:		
Debt proceeds	2,201,863	1,750,391
Debt payments	(1,422,601)	(1,352,324)
Preferred noncontrolling interest dividends	(157,888)	(197,359)
Distributions to noncontrolling interests	(562,979)	(965,000)
Net cash provided by (used in) financing activities from continuing operations	58,395	(764,292)
Net cash provided by (used in) financing activities from discontinued operations	—	—
Net cash provided by (used in) financing activities	58,395	(764,292)
Net change in cash	(2,162,231)	679,527
Cash at beginning of period	5,062,492	2,860,025
Cash at end of period	$ 2,900,261	$ 3,539,552
Cash Paid for Interest and Income Taxes:		
Interest expense	$ 1,191,946	$ 534,000

See Accompanying Notes to Condensed Consolidated Financial Statements

FOUNDATION HEALTHCARE, INC.

Notes to Condensed Consolidated Financial Statements
For the Periods Ended March 31, 2016 and 2015
(Unaudited)

Note 1 – Nature of Business

Foundation Healthcare, Inc. (the “Company”) is organized under the laws of the state of Oklahoma and owns controlling and noncontrolling interests in surgical hospitals located in Oklahoma and Texas. The Company also owns noncontrolling interests in ambulatory surgery centers (“ASCs”) located in Texas, Pennsylvania, New Jersey, Ohio, and Maryland. The Company provides management services to a majority of the facilities that it has noncontrolling interests (referred to as “Affiliates”) under the terms of various management agreements.

Note 2 – Summary of Significant Accounting Policies

For a complete list of the Company’s significant accounting policies, please see the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

Interim Financial Information – The condensed consolidated financial statements included herein are unaudited and have been prepared in accordance with generally accepted accounting principles for interim financial statements and in accordance with Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America (“GAAP”) for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2016 are not necessarily indicative of results that may be expected for the year ended December 31, 2016. The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Form 10-K for the year ended December 31, 2015. The December 31, 2015 consolidated balance sheet was derived from audited financial statements.

Consolidation – The accompanying consolidated financial statements include the accounts of the Company and its wholly owned, majority owned and controlled subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

The Company accounts for its investments in Affiliates in which the Company exhibits significant influence, but does not control, in accordance with the equity method of accounting. The Company does not consolidate its equity method investments, but rather measures them at their initial costs and then subsequently adjusts their carrying values through income for their respective shares of the earnings or losses during the period. The Company monitors its investments for other-than-temporary impairment by considering factors such as current economic and market conditions and the operating performance of the companies and records reductions in carrying values when necessary.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management of the Company to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications – Certain amounts presented in prior years have been reclassified to conform to the current year’s presentation. Such reclassifications had no effect on net income.

Revenue recognition and accounts receivable – The Company recognizes revenues in the period in which services are performed and billed. Accounts receivable primarily consist of amounts due from third-party payors and patients. The Company’s ability to collect outstanding receivables is critical to its results of operations and cash flows. Amounts the Company receives for treatment of patients covered by governmental programs such as Medicare and Medicaid and other third-party payors such as health maintenance organizations, preferred provider organizations and other private insurers are generally less than the Company’s established billing rates. Additionally, to provide for accounts receivable that could become uncollectible in the future, the Company establishes an allowance for doubtful accounts to reduce the carrying value of such receivables to their estimated net realizable value. Accordingly, the revenues and accounts receivable reported in the Company’s consolidated financial statements are recorded at the net amount expected to be received.

Contractual Discounts and Cost Report Settlements **–** The Company derives a significant portion of its revenues from Medicare, Medicaid and other payors that receive discounts from its established billing rates. The Company must estimate the total amount of

these discounts to prepare its consolidated financial statements. The Medicare and Medicaid regulations and various managed care contracts under which these discounts must be calculated are complex and are subject to interpretation and adjustment. The Company estimates the allowance for contractual discounts on a payor-specific basis given its interpretation of the applicable regulations or contract terms. These interpretations sometimes result in payments that differ from the Company's estimates. Additionally, updated regulations and contract renegotiations occur frequently, necessitating regular review and assessment of the estimation process by management. Changes in estimates related to the allowance for contractual discounts affect revenues reported in the Company's accompanying consolidated statements of operations.

Cost report settlements under reimbursement agreements with Medicare, Medicaid and Tricare are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined. There is a reasonable possibility that recorded estimates will change by a material amount in the near term. The estimated net cost report settlements due to the Company were $2,112,000 and $500,000 as of March 31, 2016 and December 31, 2015 respectively, and are included in prepaid and other current assets in the accompanying consolidated balance sheets. We increased our cost report estimate by $1,612,000 during the three months ended March 31, 2016 based on settlements from our final filed cost report for 2014 and an estimate of the 2015 cost report. The Company's management believes that adequate provisions have been made for adjustments that may result from final determination of amounts earned under these programs.

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on the Company's financial statements. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

Provision and Allowance for Doubtful Accounts – To provide for accounts receivable that could become uncollectible in the future, the Company establishes an allowance for doubtful accounts to reduce the carrying value of such receivables to their estimated net realizable value. The primary uncertainty lies with uninsured patient receivables and deductibles, co-payments or other amounts due from individual patients.

The Company has an established process to determine the adequacy of the allowance for doubtful accounts that relies on a number of analytical tools and benchmarks to arrive at a reasonable allowance. No single statistic or measurement determines the adequacy of the allowance for doubtful accounts. Some of the analytical tools that the Company utilizes include, but are not limited to, the aging of accounts receivable, historical cash collection experience, revenue trends by payor classification, revenue days in accounts receivable, the status of claims submitted to third party payors, reason codes for declined claims and an assessment of the Company's ability to address the issue and resubmit the claim and whether a patient is on a payment plan and making payments consistent with that plan. Accounts receivable are written off after collection efforts have been followed in accordance with the Company's policies.

Due to the nature of the healthcare industry and the reimbursement environment in which the Company operates, certain estimates are required to record net revenues and accounts receivable at their net realizable values at the time products or services are provided. Inherent in these estimates is the risk that they will have to be revised or updated as additional information becomes available, which could have a material impact on the Company's operating results and cash flows in subsequent periods. Specifically, the complexity of many third-party billing arrangements and the uncertainty of reimbursement amounts for certain services from certain payors may result in adjustments to amounts originally recorded.

The patient and their third party insurance provider typically share in the payment for the Company's products and services. The amount patients are responsible for includes co-payments, deductibles, and amounts not covered due to the provider being out-of-network. Due to uncertainties surrounding deductible levels and the number of out-of-network patients, the Company is not certain of the full amount of patient responsibility at the time of service. The Company estimates amounts due from patients prior to service and generally collects those amounts prior to service. Remaining amounts due from patients are then billed following completion of service.

The activity in the allowance for doubtful accounts for the three months ending March 31, 2016 follows:

		2016
Balance at beginning of period	$	6,062,000
Provisions recognized as reduction in revenues		1,921,985
Write-offs, net of recoveries		(4,320,985)
Balance at end of period	$	3,663,000

Cash and cash equivalents – The Company considers all highly liquid temporary cash investments with an original maturity of three months or less to be cash equivalents. Certificates of deposit with original maturities of more than three months are also considered cash equivalents if there are no restrictions on withdrawing funds from the account.

Restricted Cash – As of March 31, 2016 and December 31, 2015, the Company had restricted cash of approximately $0.1 million and $0.2 million respectively, included in cash in the accompanying consolidated balance sheets. The restricted cash is pledged as collateral against certain debt of the Company.

Goodwill and Intangible Assets – The Company evaluates goodwill for impairment at least on an annual basis and more frequently if certain indicators are encountered. Goodwill is to be tested at the reporting unit level, defined as an ASC or hospital (referred to as a component), with the fair value of the reporting unit being compared to its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired. The Company will complete its annual impairment test in December 2016.

Intangible assets other than goodwill which include physician membership interests, service contracts and covenants not to compete are amortized over their estimated useful lives using the straight line method. The remaining lives range from two to twenty years. The Company evaluates the recoverability of identifiable intangible asset whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable.

Net income (loss) per share – Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted income (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted during the period. Dilutive securities having an anti-dilutive effect on diluted loss per share are excluded from the calculation.

Recently Adopted and Recently Issued Accounting Guidance

Adopted Guidance

In January 2015, the FASB issued changes to the presentation of extraordinary items. Such items are defined as transactions or events that are both unusual in nature and infrequent in occurrence, and, currently, are required to be presented separately in an entity's income statement, net of income tax, after income from continuing operations. The changes eliminate the concept of an extraordinary item and, therefore, the presentation of such items will no longer be required. Notwithstanding this change, an entity will still be required to present and disclose a transaction or event that is both unusual in nature and infrequent in occurrence in the notes to the financial statements. The Company adopted these changes on January 1, 2016. The adoption of these changes had no impact on the Company's consolidated financial statements.

In February 2015, the FASB issued changes to the analysis that an entity must perform to determine whether it should consolidate certain types of legal entities. These changes (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, (ii) eliminate the presumption that a general partner should consolidate a limited partnership, (iii) affect the consolidation analysis of reporting entities that are involved with variable interest entities, particularly those that have fee arrangements and related party relationships, and (iv) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The Company adopted these changes on January 1, 2016. The adoption of these changes had no impact on the Company's consolidated financial statements.

In April 2015, the FASB issued changes to the presentation of debt issuance costs. Currently, such costs are required to be presented as a noncurrent asset in an entity's balance sheet and amortized into interest expense over the term of the related debt

instrument. The changes require that debt issuance costs be presented in an entity's balance sheet as a direct deduction from the carrying value of the related debt liability. The amortization of debt issuance costs remains unchanged. The Company adopted these changes on January 1, 2016. The adoption of these changes resulted in a decrease of approximately $612,000, to other assets and long-term debt, net of current portion, respectively, debt included in the accompanying consolidated balance sheet.

In August 2014, the FASB issued changes to the disclosure of uncertainties about an entity's ability to continue as a going concern. Under GAAP, continuation of a reporting entity as a going concern is presumed as the basis for preparing financial statements unless and until the entity's liquidation becomes imminent. Even if an entity's liquidation is not imminent, there may be conditions or events that raise substantial doubt about the entity's ability to continue as a going concern. Because there is no guidance in GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern or to provide related note disclosures, there is diversity in practice with respect to whether, when, and how an entity discloses the relevant conditions and events in its financial statements. As a result, these changes require an entity's management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that financial statements are issued. Substantial doubt is defined as an indication that it is probable that an entity will be unable to meet its obligations as they become due within one year after the date that financial statements are issued. If management has concluded that substantial doubt exists, then the following disclosures should be made in the financial statements: (i) principal conditions or events that raised the substantial doubt, (ii) management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations, (iii) management's plans that alleviated the initial substantial doubt or, if substantial doubt was not alleviated, management's plans that are intended to at least mitigate the conditions or events that raise substantial doubt, and (iv) if the latter in (iii) is disclosed, an explicit statement that there is substantial doubt about the entity's ability to continue as a going concern. The Company adopted these changes on January 1, 2016. The adoption of these changes had no impact on the Company's consolidated financial statements. This guidance will need to be applied by management at the end of each annual period and interim period therein to determine what, if any, impact there will be on the consolidated financial statements in a given reporting period.

In September 2015, the FASB issued changes to the accounting for business combinations simplifying the accounting for measurement period Adjustments. The update eliminates the requirement for an acquirer to retrospectively adjust its financial statements for changes to provisional amounts that are identified during the measurement-period following the consummation of a business combination. Instead, the update requires these types of adjustments to be made during the reporting period in which they are identified and would require additional disclosure or separate presentation of the portion of the adjustment that would have been recorded in the previously reported periods as if the adjustment to the provisional amounts had been recognized as of the acquisition date. The Company adopted these changes on January 1, 2016. The adoption of these changes had no impact on the Company's consolidated financial statements.

Issued Guidance

In July 2015, the FASB issued changes to the subsequent measurement of inventory. Currently, an entity is required to measure its inventory at the lower of cost or market, whereby market can be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. The changes require that inventory be measured at the lower of cost and net realizable value, thereby eliminating the use of the other two market methodologies. Net realizable value is defined as the estimated selling prices in the ordinary course of business less reasonably predictable costs of completion, disposal, and transportation. These changes do not apply to inventories measured using LIFO (last-in, first-out) or the retail inventory method. Currently, the Company applies the net realizable value market option to measure its inventories at the lower of cost or market. These changes become effective for the Company on January 1, 2017. Management has determined that the adoption of these changes will not have an impact on the Company's consolidated financial statements.

In May 2014, the FASB issued changes to the recognition of revenue from contracts with customers. These changes created a comprehensive framework for all entities in all industries to apply in the determination of when to recognize revenue, and, therefore, supersede virtually all existing revenue recognition requirements and guidance. This framework is expected to result in less complex guidance in application while providing a consistent and comparable methodology for revenue recognition. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract(s), (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract(s), and (v) recognize revenue when, or as, the entity satisfies a performance obligation. These changes become effective for the Company on January 1, 2018. Management is currently evaluating the potential impact of these changes on the Company's consolidated financial statements.

In February 2016, the FASB issued changes to the accounting for leases, which requires an entity that leases assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 and must be adopted using a modified retrospective approach. Management is currently evaluating the impact of this update on the consolidated financial statements.

In March 2016, the FASB issued changes to employee share-based payment accounting, which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification on the statement of cash flows. For public companies, the new guidance is effective for annual reporting periods (including interim periods within those periods) beginning after December 15, 2016, with early adoption permitted. The Company is in the process of evaluating the impact of adoption of this guidance on its financial statements.

Note 3 – Acquisition

On December 31, 2015, the Company closed the acquisition comprising substantially all of the hospital assets and hospital operating entity of University General Health Systems, Inc. ("UGHS"), consisting primarily of a sixty-nine bed acute care hospital located in the Medical City area of Houston, Texas (referred to as University General Hospital, LP or "UGH" and collectively referred to as the "Acquisition"). Subsequent to the Acquisition, UGH is being operated as Foundation Surgical Hospital of Houston.

The acquisition of UGH was based on management's belief that UGH fits into the Company's acquisition and development strategy and operating model that enables the Company to grow by taking advantage of highly-fragmented markets, an increasing demand for short stay surgery and a need by physicians to forge strategic alliances to meet the needs of the evolving healthcare landscape while also shaping the clinical environments in which they practice. The Company expects the acquisition of UGH will generate positive earnings and cash flow that will be accretive to the earnings and cash flow of the Company. The Company expects the goodwill attributable to UGH to be tax deductible.

The Company paid $25.1 million in cash for the net assets acquired from UGHS.

The fair value amounts have been initially recorded using preliminary estimates. The Company has engaged a third-party valuation company to complete a valuation of the fair value of the assets acquired and liabilities assumed in the acquisition. A portion of the valuation was completed in March 2016 and management believes the valuation will be fully completed by June 30, 2016. The preliminary estimates will be revised in future periods and the revisions may materially affect the presentation of the Company's consolidated financial results. Any changes to the initial estimates of the fair value of the assets and liabilities will be recorded as adjustments to those assets and liabilities and residual amounts will be allocated to goodwill. The preliminary purchase allocations for the Acquisition are as follows:

	Preliminary	Adjustments	Adjusted
Accounts receivable	$ 7,229,000	$ —	$ 7,229,000
Supplies inventories	1,689,000	—	1,689,000
Other current assets	395,000	—	395,000
Total current assets	9,313,000	—	9,313,000
Property and equipment	40,363,000	(733,000)	39,630,000
Other assets	307,000	—	307,000
Intangible, net	—	3,930,000	3,930,000
Goodwill	9,450,000	(2,822,000)	6,628,000
Total assets acquired	59,433,000	375,000	59,808,000
Liabilities assumed:			
Accounts payable and accrued liabilities	1,589,000	375,000	1,964,000
Current portion of long-term debt and capital lease obligations	4,740,000	—	4,740,000
Total current liabilities	6,329,000	375,000	6,704,000
Long-term debt and capital lease obligations, net of current portion	28,004,000	—	28,004,000
Total liabilities assumed	34,333,000	375,000	34,708,000
Net assets acquired	$ 25,100,000	$ —	$ 25,100,000

During the three months ended March 31, 2016, the Company incurred approximately $167,000 in expenses related to the Acquisition. The expenses incurred related primarily to legal fees related to the purchase agreement and structure of the transaction and professional fees related to the audits of the 2015 and 2014 financial statements of UGH.

Since the Acquisition occurred on December 31, 2015, there are no acquisition revenues and earnings included in the Company's consolidated statements of operations for the year ended December 31, 2015. The revenue and earnings of the combined entity had the Acquisition date been January 1, 2015 are as follows:

				Attributable to Foundation HealthCare common stock	
	Revenue	Loss From Continuing Operations	Net Income (Loss)	Net Loss	Net Loss Per Share
Actual:					
From 1/1/2016 to 3/31/2016	$ 38,637,000	$ (2,843,000)	$ (2,855,000)	$ (3,741,000)	$ (0.22)
Supplemental Pro Forma:					
From 1/1/2015 to 12/31/2015	$ 180,144,000	$ (69,000)	$ 6,662,000	$ (690,000)	$ (0.04)

The pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisition been consummated as of that time, nor is it intended to be a projection of future results.

Note 4 – Divestitures

On July 15, 2015, we sold our 10% interest in the Kirby Glen Surgery, LLC, one of our Equity Owned ASCs located in Houston, Texas. We received $0.2 million in combined proceeds for the sale of the equity interest and termination of our management agreement.

On June 12, 2015, the Company executed an agreement pursuant to which the Company sold a portion of its 20% equity investment in Grayson County Physician Property, LLC ("GCPP") through a series of transactions. In conjunction with the sale, the management agreement under which the Company provided certain services including billing and collections, general management services, legal support, and accounting services was terminated. The Company's decision to sell the assets of GCPP was part of the Company's strategic plan to focus on the growth of its majority owned surgical hospital businesses. The Company received $7.8 million of proceeds as a result of the sale and $0.5 million for the termination of the management agreement. The Company used $7.0 million of these proceeds to reduce the Company's principal balance of the note held by the Company's senior lender. The remainder of the proceeds will be used for working capital needs and possible future acquisitions. See Note 5 – Discontinued Operations for additional information.

On March 31, 2015, Houston Orthopedic Surgical Hospital, L.L.C. ("HOSH"), our Equity Owned hospital in Houston, Texas, sold substantially all of its assets under an asset purchase agreement. Given that the Company does not exhibit control with the 20% investment in HOSH, the Company accounts for the investment on a cost or cash basis. As a result of the HOSH sale, the Company received a distribution on May 12, 2015 $1.8 million, of which $0.6 million is being held in escrow until October 2016.

Note 5 – Discontinued Operations

The partial sale of GCPP in June 2015 was part of the Company's strategic plan to focus on majority owned investments. As a result, the proceeds from the sale, the remaining equity ownership, and the results of operations and cash flows related to the equity investment in GCPP for all periods presented have been classified as discontinued operations. Therefore, the Company reclassified $0.1 million from equity in earnings from affiliates to income from discontinued operations, net of tax, for the three months ending March 31, 2016 and 2015, respectively.

The operating results for the Company's discontinued operations for the three months ended March 31, 2016 and 2015 are summarized below:

	2016	2015
Revenues:		
Equity in earnings of GCCP	$ —	$ (27,510)
Sleep operations	—	—
Total revenues	$ —	$ (27,510)
Net income (loss) before taxes:		
GCCP	$ —	$ (27,510)
Sleep operations	(11,761)	(86,078)
Net income (loss) from discontinued operations, net of tax	$ (11,761)	$ (113,588)

The balance sheet items for the Company's discontinued operations are summarized below:

	March 31, 2016	December 31, 2015
Cash and cash equivalents	$ 6,712	$ 5,219
Other current assets	411,172	411,171
Total current assets	417,884	416,390
Fixed assets, net	—	8,713
Total assets	$ 417,884	$ 425,103
Payables and accrued liabilities	777,553	774,831
Income taxes payable	1,581,334	1,581,334
Total liabilities	$ 2,358,887	$ 2,356,165

Note 6 – Equity Investments in Affiliates

The Company invests in non-majority interests in its Affiliates. The Company's equity investments and respective ownership interest as of March 31, 2016 and December 31, 2015 are as follows:

		Ownership %	
Affiliate	Location	March 31, 2016	December 31, 2015
Surgical Hospitals:			
Grayson County Physicians Property, LLC	Sherman, TX	0%	0%
Houston Orthopedic Hospital, LLC	Houston, TX	0%	0%
Summit Medical Center	Edmond, OK	8%	8%
ASCs:			
Foundation Surgery Affiliate of Nacogdoches, LLP	Nacogdoches, TX	13%	13%
Kirby Glenn Surgery Center	Houston, TX	0%	0%
Park Ten Surgery Center/Physicians West Houston	Houston, TX	10%	10%
Foundation Surgery Affiliate of Middleburg Heights, LLC	Middleburg Heights, OH	10%	10%
Foundation Surgery Affiliate of Huntingdon Valley, LP	Huntingdon Valley, PA	20%	20%
New Jersey Surgery Center, LLC	Mercerville, NJ	10%	10%
Foundation Surgery Affiliate of Northwest Oklahoma City, LLC	Oklahoma City, OK	20%	20%
Cumberland Valley Surgery Center, LLC	Hagerstown, MD	34%	34%
Frederick Surgical Center, LLC	Frederick, MD	20%	20%

The results of operations for the three months ended March 31, 2016 and 2015, of the Company’s equity investments in Affiliates are as follows:

	2016	2015
Net operating revenues	$ 11,744,153	$ 12,592,974
Net income	$ 3,140,498	$ 3,051,752

The results of financial position as of March 31, 2016 and December 31, 2015, of the Company’s equity investments in Affiliates are as follows:

	March 31, 2016	December 31, 2015
Current assets	$ 10,587,583	$ 12,371,752
Noncurrent assets	6,038,579	7,699,093
Total assets	$ 16,626,162	$ 20,070,845
Current liabilities	$ 4,190,426	$ 4,240,326
Noncurrent liabilities	1,941,097	2,266,793
Total liabilities	$ 6,131,523	$ 6,507,119
Members' equity	$ 10,494,639	$ 13,563,726

Note 7 – Goodwill and Other Intangibles

Changes in the carrying amount of goodwill as follows:

	Gross Amount	Accumulated Impairment Loss	Net Carrying Value
December 31, 2015	$ 32,469,240	$ (22,045,382)	$ 10,423,858
Changes in UGH purchase price allocation	(2,822,049)	—	(2,822,049)
March 31, 2016	$ 29,647,191	$ (22,045,382)	$ 7,601,809

Goodwill and intangible assets with indefinite lives must be tested for impairment at least once a year. Carrying values are compared with fair values, and when the carrying value exceeds the fair value, the carrying value of the impaired asset is reduced to its fair value. The Company tests goodwill for impairment on an annual basis in the fourth quarter or more frequently if management believes indicators of impairment exist. The performance of the test involves a two-step process. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. The Company generally determines the fair value of its reporting units using the income approach methodology of valuation that includes the discounted cash flow method as well as other generally accepted valuation methodologies. If the carrying amount of a reporting unit exceeds the reporting unit’s fair value, the Company performs the second step of the goodwill impairment test to determine the amount of impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit’s goodwill with the carrying value of that goodwill.

Changes in the carrying amount of intangible assets during the three months ended March 31, 2016 were as follows:

	Carrying Amount	Accumulated Amortization	Net
December 31, 2015	$ 14,524,500	$ (7,502,330)	$ 7,022,170
Change in UGH purchase price allocation	3,930,000	—	3,930,000
Amortization	—	(562,816)	(562,816)
March 31, 2016	$ 18,454,500	$ (8,065,146)	$ 10,389,354

Intangible assets as of March 31, 2016 and December 31, 2015 include the following:

		March 31, 2016			December 31, 2015
	Useful Life (Years)	Carrying Value	Accumulated Amortization	Net	Net
Management fee contracts	6 - 8	$ 3,498,500	$ (2,713,792)	$ 784,708	$ 893,723
Non-compete	5	2,027,000	(1,357,382)	669,618	771,161
Physician memberships	7	6,468,000	(3,157,000)	3,311,000	3,542,000
Medicare license	20	3,930,000	(47,733)	3,882,267	—
Trade name	5	381,000	(208,034)	172,966	192,379
Service Contracts	10	2,150,000	(581,205)	1,568,795	1,622,907
		$ 18,454,500	$ (8,065,146)	$ 10,389,354	$ 7,022,170

Amortization expense for the three months ended March 31, 2016 and 2015 was $562,816 and $514,556, respectively.

Amortization expense for the next five years related to these intangible assets is expected to be as follows:

Twelve months ending March 31,	
2017	$ 2,248,629
2018	2,011,506
2019	1,356,950
2020	944,931
2021	405,931
Thereafter	3,421,406

Note 8 – Borrowings and Capital Lease Obligations

The Company's short-term debt obligations are as of March 31, 2016 and December 31, 2015 are as follows:

	Rate (1)	2016	2015
Insurance premium financings	4.8 - 5.0%	$ 804,201	$ 308,769

(1) Effective rate as of March 31, 2016

The Company has various insurance premium financing notes payable that bear interest rates ranging from 4.8% to 5.0%. The insurance notes mature from June 2016 to October 2016 and the Company is required to make monthly principal and interest payments totaling $134,051.

The Company's long-term debt obligations at March 31, 2016 and December 31, 2015 are as follows:

	Rate (1)	Maturity Date	2016	2015
Senior Lender:				
Note payable	4.3%	Dec. 2020	$ 28,375,000	$ 28,375,000
Line of credit	4.3%	Dec. 2018	11,500,000	10,500,000
Unamortized loan origination costs			(612,182)	(644,403)
Other Lenders:				
Note payable - subordinated note	3.0%	Dec. 2019	7,900,000	7,900,000
Total			47,162,818	46,130,597
Less: Current portion of long-term debt			(4,733,276)	(4,601,320)
Long-term debt			$ 42,429,542	$ 41,529,277

(1) Effective rate as of March 31, 2016

Texas Capital Bank Credit Facility

Effective December 31, 2015, the Company entered into a Credit Agreement (the “TCB Credit Facility”) with Texas Capital Bank, National Association (“TCB”). The TCB Credit Facility replaced and consolidates all of the Company’s and the Company’s subsidiaries’ debt in the principal amount of $28.4 million, which is referred to as the Term Loan, and provides for an additional revolving loan in the amount of $12.5 million, which is referred to as the Revolving Loan. The Company has also entered into a number of ancillary agreements in connection with the TCB Credit Facility, including deposit account control agreements, subsidiary guarantees, security agreements and promissory notes.

Maturity Dates. The Term Loan matures on December 30, 2020 and the Revolving Loan matures on December 30, 2018.

Interest Rates. Borrowings under the TCB Credit Facility are made, at the Company’s option, as either Base Rate loans or LIBOR loans. “Base Rate” for any day is the highest of (i) the Prime Rate, (ii) the Federal Funds Rate plus one half of one percent (0.5%), and (iii) Adjusted LIBOR plus one percent (1.00%). LIBOR loans are based on either the one month, two month or three month LIBOR rate at the Company’s option. The interest rate is either a Base Rate or LIBOR plus the Applicable Margins based on our Senior Debt to EBITDA Ratio, as defined.

The Applicable Margins are as follows:

Pricing Level	Senior Debt to EBITDA Ratio	Base Rate Portion	LIBOR Portion and Letter of Credit Fee	Commitment Fee
1	< 2.0 : 1.0	2.75%	3.75%	0.375%
2	≥ 2.0 : 1.0 but < 2.5 : 1.0	3.00%	4.00%	0.375%
3	≤ 2.5 : 1.0	3.25%	4.25%	0.375%

The Applicable Margin in effect will be adjusted within 45 days following the end of each quarter based on the Company’s Senior Debt to EBITDA ratio. The Senior Debt to EBITDA Ratio is calculated by dividing all of our senior indebtedness (excluding capital lease obligations for Foundation Surgical Hospital of Houston), that is by the Company’s EBITDA for the preceding four fiscal quarters. EBITDA is defined in the TCB Credit Facility as the Company’s net income *plus* (b) *the sum of* the following: interest expense; income taxes; depreciation; amortization; extraordinary losses determined in accordance with GAAP; cash and noncash stock compensation expense; and other non-recurring expenses reducing such net income which do not represent a cash item in such period or any future period, *minus* (c) *the sum of* the following: income tax credits; extraordinary gains determined in accordance with GAAP; and all non-recurring, non-cash items increasing net income.

Interest and Principal Payments. The Company is required to make quarterly payments of principal and interest on the Term Loan. The first four quarterly payments on the Term Loan will be $1,013,393, on the first day of each April, July, October, and January during the term hereof, commencing April 1, 2016. The Company is required to make quarterly payments on the Revolving Loan equal to the accrued and unpaid interest. All unpaid principal and interest on the Term Loan and Revolving Loan must be paid on the respective maturity dates of each Loan.

Borrowing Base. The Company's ability to borrow money under the Revolving Loan is limited to the Company's Borrowing Base. The Company's Borrowing Base is equal to the *sum of* (i) 80% of the eligible account of Foundation Surgical Hospital of San

Antonio, not to exceed the outstanding principal balance of the intercompany note payable by the San Antonio Hospital to the Company, (ii) 80% of the eligible account of Foundation Surgical Hospital of El Paso, not to exceed the outstanding principal balance of the intercompany note payable by the El Paso Hospital to the Company, and (iii) 80% of the eligible account of Foundation Surgical Hospital of Houston, not to exceed the outstanding principal balance of the intercompany note payable by the Houston Hospital to the Company.

Mandatory Prepayments. The Company must make mandatory prepayments of the Term Loans in the following situations, among others:

- The Company must apply 100% of the net proceeds from the sale of worn out and obsolete equipment not necessary or useful for the conduct of the Company's business;
- Commencing with the fiscal year ending December 31, 2016, the Company must apply 50% of our Excess Cash Flow for such fiscal year to the installment payments due on the Company's Term Loan;
- The Company must apply 50% of the net cash proceeds from the issuance of equity interests to the installment payments due on the Company's Term Loan; provided that no prepayment need to be made for the year ended December 31, 2016 once the Company has made mandatory prepayments in excess of $10,000,000;
- The Company must apply 100% of the net cash proceeds from the issuance of debt (other than certain permitted debt) to the prepayment of the Term Loan;
- The Company must prepay 100% of the net cash proceeds paid to the Company other than in the ordinary course of business; and
- The Company must prepay 100% of the net cash proceeds the Company receives from the prepayment of intercompany notes.

Voluntary Prepayments. The Company may prepay amounts under the Term Loan or Revolving Loan at any time provided that the Company is required to pay a prepayment fee of 2% of the amount prepaid if payment is made prior to the first anniversary, 1.5% if the prepayment is made after the first anniversary but prior to the second anniversary and 1% if the prepayment is made after the second anniversary but prior to the third anniversary.

Guaranties. Each of the Company's direct or indirect wholly-owned subsidiaries jointly and severally and unconditionally guaranty payment of the Company's obligations owed to Lenders.

Financial Covenants:

Debt to EBITDA Ratio. As of December 31, 2015, the Company must maintain a Debt to EBITDA Ratio, not in excess of 3.50 to 1.00. Thereafter, the Company must maintain a Debt to EBITDA Ratio as of the last day of any fiscal quarter, not in excess of (a) 3.25 to 1.00 for the fiscal quarters ending December 31, 2015, March 31, 2016, June 30, 2016 and September 30, 2016; (b) 2.75 to 1.00 for the fiscal quarters ending December 31, 2016, March 31, 2017, June 30, 2017 and September 30, 2017; (c) 2.50 to 1.00 for the fiscal quarters ending December 31, 2017, March 31, 2018, June 30, 2018 and September 30, 2018; and (d) 2.25 to 1.00 for the fiscal quarter ending December 31, 2018 and at the end of each fiscal quarter thereafter. As of March 31, 2016, the Company's Debt to EBITDA Ratio was 3.12.

Senior Debt to EBITDA Ratio. As of December 31, 2015, the Company must maintain a Senior Debt to EBITDA Ratio not in excess of 3.00 to 1.00. Thereafter, the Company must maintain a Senior Debt to EBITDA Ratio as of the last day of any fiscal quarter, not in excess of (a) 3.00 to 1.00 for the fiscal quarters ending December 31, 2015, March 31, 2016, June 30, 2016 and September 30, 2016; (b) 2.50 to 1.00 for the fiscal quarters ending December 31, 2016, March 31, 2017, June 30, 2017 and September 30, 2017; (c) 2.25 to 1.00 for the fiscal quarters ending December 31, 2017, March 31, 2018, June 30, 2018 and September 30, 2018; and (d) 2.00 to 1.00 for the fiscal quarter ending December 31, 2018 and at the end of each fiscal quarter thereafter. As of March 31, 2016, the Company's Senior Debt to EBITDA Ratio was 2.69.

Pre-Distribution Fixed Charge Coverage Ratio. The Company must maintain as of the last day of any fiscal quarter a Pre-Distribution Fixed Charge Coverage Ratio in excess of 1.30 to 1.00. As of March 31, 2016, the Company's Pre-Distribution Fixed Charge Coverage Ratio was 1.82.

Post-Distribution Fixed Charge Coverage Ratio. The Company must maintain as of the last day of any fiscal quarter, a Post-Distribution Fixed Charge Coverage Ratio in excess of 1.05 to 1.00. As of March 31, 2016, the Company's Post-Distribution Fixed Charge Coverage Ratio was 1.30.

Capital Expenditures. The Company shall not make capital expenditures in excess of $5,000,000 during any fiscal year.

As of March 31, 2016, the Company is in compliance with all of the TCB Credit Facility financial covenants.

Collateral. Payment and performance of the Company's obligations under the TCB Credit Facility are secured in general by all of the Company and the Company's guarantors' assets.

Negative Covenants. The TCB Credit Facility has restrictive covenants that, among other things, limits or restricts the Company's ability to do the following without the consent of TCB:

- Incur additional indebtedness;
- Create or incur additional liens on the Company's assets;
- Engage in mergers or acquisitions;
- Pay dividends or make any other payment or distribution in respect of the Company's equity interests;
- Make loans and investments;
- Issue equity, except for stock compensation awards to employees;
- Engage in transaction with affiliates;
- Dispose of the Company's assets, except for certain approved assets;
- Engage in any sale and leaseback arrangements; and
- Prepay debt to debtors other than TCB.

Defaults and Remedies. In addition to the general defaults of failure to perform our obligations under the Loan Agreement, events of default also include the occurrence of a change in control, as defined, and the loss of our Medicare or Medicaid certification, collateral casualties, entry of a uninsured judgment of $500,000 or more, failure of first liens on collateral and the termination of any of the Company's management agreements that represent more than 10% of the Company's management fees for the preceding 18 month period. In the event of a monetary default, all of the Company's obligations due under the TCB Credit Facility shall become immediately due and payable. In the event of a non-monetary default, the Company has 10 days or in some cases three days to cure before Texas Capital Bank has the right to declare the Company's obligations due under the TCB Credit Facility immediately due and payable.

At March 31, 2016, future maturities of long-term debt were as follows:

Years ended March 31:	
2017	$ 4,733,276
2018	4,922,350
2019	16,560,781
2020	5,205,713
2021	16,352,880
Thereafter	—

The Company's capital lease obligations as of March 31, 2016 and December 31, 2015 are as follows:

	Rate (1)	Maturity Date	2016	2015
Capital Leases Obligations:				
Building	7.5%	Jul. 2036	24,297,628	24,424,341
Equipment	5.6 - 9.0%	Mar. 2017 - Dec. 2020	8,563,642	9,185,320
Total			32,861,270	33,609,661
Less: Current portion of capital leases			(4,319,280)	(4,478,968)
Capital leases obligations			$ 28,541,990	$ 29,130,693

(1) Effective rate as of March 31, 2016

The Company has entered into a capital lease covering the FSH Houston hospital facility, see Note 3 - Acquisition. The capital lease bears an interest at fixed rate of 7.5%. The Company is required to make monthly principal and interest payments under the capital lease totaling $193,611.

The Company has entered into various capital leases that are collateralized by certain computer and medical equipment used by the Company. The capital leases bear interest at fixed rates ranging from 5.6% to 9.0%. The Company is required to monthly principal and interest payments under the capital leases totaling $300,084.

At March 31, 2016, future maturities of capital lease obligations were as follows:

Years ended March 31:		
2017	$	4,319,280
2018		2,868,010
2019		1,680,296
2020		1,483,071
2021		1,310,455
Thereafter		21,200,158

Note 9 – Preferred Noncontrolling Interests

During 2013, the Company's wholly-owned subsidiary, Foundation Health Enterprises, LLC ("FHE") completed a private placement offering of $9,135,000. The offering was comprised of 87 units ("FHE Unit" or "preferred noncontrolling interest"). Each FHE Unit was offered at $105,000 and entitled the purchaser to one (1) Class B membership interest in FHE, valued at $100,000, and 1,000 shares of the Company's common stock, valued at $5,000. The total consideration of $9,135,000 was comprised of $8,700,000 attributable to the preferred noncontrolling interest and $435,000 attributable to the 87,000 shares of the Company's common stock.

The FHE Units provide for a cumulative preferred annual return of 9% on the amount allocated to the Class B membership interests. The FHE Units will be redeemed by FHE in four annual installments beginning in July 2014. The FHE Unit holders agreed to defer the first installment payment until March 2015. The first installment was paid on April 1, 2015. The first three installments shall be in the amount of $10,000 per FHE Unit and the fourth installment will be in the amount of the unreturned capital contribution and any undistributed preferred distributions. The FHE Units are convertible at the election of the holder at any time prior to the complete redemption into restricted common shares of the Company at a conversion price of $20.00 per share. Since the FHE Units have a redemption feature and a conversion feature which the Company determined to be substantive, the preferred noncontrolling interests has been recorded at the mezzanine level in the accompanying consolidated balance sheets and the corresponding dividends are recorded as a reduction of accumulated deficit.

Note 10 – Commitments and Contingencies

Legal claims – The Company is exposed to asserted and unasserted legal claims encountered in the normal course of business, including claims for damages for personal injuries, medical malpractice, breach of contracts, wrongful restriction of or interference with physicians' staff privileges and employment related claims. In certain of these actions, plaintiffs request payment for damages, including punitive damages that may not be covered by insurance. Management believes that the ultimate resolution of these matters will not have a material adverse effect on the operating results or the financial position of the Company. There were no settlement expenses during the three months ended March 31, 2016 and 2015 related to the Company's ongoing unasserted legal claims.

Self-insurance – Effective January 1, 2014, the Company began using a combination of insurance and self-insurance for employee-related healthcare benefits. The self-insurance liability is determined actuarially, based on the actual claims filed and an estimate of incurred but not reported claims. Self-insurance reserves as of March 31, 2016 and December 31, 2015 were $567,197 and $424,593, respectively, and are included in accrued liabilities in the accompanying consolidated balance sheets.

Note 11 – Fair Value Measurements

Fair value is the price that would be received from the sale of an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market in an orderly transaction between market participants. In determining fair value, the accounting standards established a three-level hierarchy that distinguishes between (i) market data obtained or developed from independent sources (i.e., observable data inputs) and (ii) a reporting entity's own data and assumptions that market participants would use in pricing an asset or liability (i.e., unobservable data inputs). Financial assets and financial liabilities measured and reported at fair value are classified in one of the following categories, in order of priority of observability and objectivity of pricing inputs:

- *Level 1* – Fair value based on quoted prices in active markets for identical assets or liabilities.
- *Level 2* – Fair value based on significant directly observable data (other than Level 1 quoted prices) or significant indirectly observable data through corroboration with observable market data. Inputs would normally be (i) quoted prices in active markets for similar assets or liabilities, (ii) quoted prices in inactive markets for identical or similar assets or liabilities or (iii) information derived from or corroborated by observable market data.
- *Level 3* – Fair value based on prices or valuation techniques that require significant unobservable data inputs. Inputs would normally be a reporting entity's own data and judgments about assumptions that market participants would use in pricing the asset or liability.

The fair value measurement level for an asset or liability is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

Recurring Fair Value Measurements: The carrying value of the Company's financial assets and financial liabilities is their cost, which may differ from fair value. The carrying value of cash held as demand deposits, money market and certificates of deposit, accounts receivable, short-term borrowings, accounts payable and accrued liabilities approximated their fair value. At March 31, 2016, the fair value of the Company's long-term debt, including the current portion was determined to be approximately equal to its carrying value.

Nonrecurring Fair Value Measurements: During 2015, the Company completed the University General Hospital, LP acquisition; see Note 3 – Acquisition for additional information. The assets acquired and liabilities assumed in the acquisition were recorded at their fair values on the date of the acquisition. For the acquisition, the nonrecurring fair value measurements were developed using significant unobservable inputs (Level 3) using discounted cash flow calculations based upon the Company's weighted average cost of capital and third-party valuation services. Assumptions used were similar to those that would be used by market participants performing valuations of these business units and were based on analysis of current and expected future economic conditions and the updated strategic plan for each business unit. The assets acquired were valued at $59,808,000 and the liabilities assumed were $34,708,000.

Note 12 – Related Party Transactions

Effective June 1, 2014, the Company's hospital subsidiary located in El Paso, Texas entered into a sublease agreement with The New Sleep Lab International, Ltd., referred to as New Sleep. New Sleep is controlled by Dr. Robert Moreno, one of our Directors. The sublease with New Sleep calls for monthly rent payments of $8,767 and the sublease expires on November 30, 2018. The space subleased from New Sleep will be sublet to physician partners and casual uses of our hospital and is located in a building that also houses one of our imaging facilities. During the three months ended March 31, 2016, the Company incurred approximately $23,600 in lease expense under the terms of the lease.

As of March 31, 2016, the Company had $0.1 million on deposit at Valliance Bank. Valliance Bank is controlled by Mr. Roy T. Oliver, one of our greater than 5% shareholders. A noncontrolling interest in Valliance Bank is held by Mr. Joseph Harroz, Jr., a director of the Company. Mr. Stanton Nelson, the Company's Chief Executive Officer and Mr. Harroz also serve as directors of Valliance Bank.

The Company has entered into agreements with certain of its Affiliate ASCs and hospitals to provide management services. As compensation for these services, the surgery centers and hospitals are charged management fees which are either fixed or are based on a percentage of the Affiliates cash collected or the Affiliates net revenue. The percentages range from 2.25% to 6.0%.

Note 13 – Subsequent Events

Management evaluated all activity of the Company and concluded that no material subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements, except for the following:

On May 11, 2016, the Company acquired 51% of the outstanding membership interests of Ninety Nine Healthcare Management, LLC ("99 Management"). 99 Management is a healthcare management located in Dallas, Texas. Management believes the purchase of 99 Management will allow the Company to provide practice management services for the Company's physician partners. The Company paid $440,000 in cash and issued 700,000 shares of Company common stock for the purchase of the membership interests in

99 Management. The Company will issue an additional 200,000 shares of Company common stock upon the execution by 99 Management of a signed contract between 99 Management and Blue Cross/Blue Shield of Texas for a narrow network program covering the Houston, Texas market.

On May 11, 2016, the Company entered into a Loan Modification Agreement and Waiver with TCB ("TCB Modification"). Under the TCB Modification, the Company's Revolving Loan under the TCB Credit Facility was increased from $12.5 million to $15.5 million. The $3.0 million of borrowing represents a temporary advance that must be repaid by July 31, 2016. In addition, TCB consented to the sale of certain Company assets and waived certain technical defaults in the TCB Credit Facility related to timing deadlines for certain financial information provided by the Company to TCB related to the UGH Acquisition.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Company Overview

Our primary business is the ownership of surgical hospitals and ambulatory surgical centers (ASCs) in targeted regional markets in the Southeastern United States. We currently have three majority-owned hospitals (Consolidated Hospitals) and one minority-owned hospitals (Equity Owned Hospital) in Texas and Oklahoma. We have seven minority-owned ASCs located in Texas, Pennsylvania, New Jersey, Maryland and Ohio. Also, we have one hospital outpatient department (HOPD) through our investment in the surgery hospital in Edmond, Oklahoma. In addition to our ownership interests, we provide management services under contract to most of our minority-owned facilities. Finally, we have a legacy business that provides sleep testing management services.

Our strategy is to create a regional network of high-quality, yet cost effective, surgical facilities that meet the needs of patients, physicians and payors. We believe our facilities provide a friendly and convenient environment for our patients to receive high quality care. We operate our facilities, structure our strategic relationships and adopt staffing, scheduling and clinical systems and protocols with the goal of increasing physician productivity and satisfaction. In light of the efficiency of our facilities, we believe we are competitively positioned among payors to generate good clinical outcomes while containing costs. Our commitment to the needs of all relevant parties coupled with the strong growth dynamics of our markets lead us to believe that the number of procedures performed at our facilities each year will increase.

Hospital and ASC Business Overview

At our Consolidated Hospitals, we serve as a majority owner, day-to-day manager, and we have significant influence over the operations of such facilities. When we have control of the facility, we account for our investment in the facility as a consolidated subsidiary. For our Equity Owned facilities, our influence does not represent control of the facility, but we do have the ability to exercise significant influence over operating and financial policies, we account for our investment in the facility under the equity method, and treat the facility as a nonconsolidated affiliate.

For our Consolidated Hospitals, our financial statements reflect 100% of the revenues and expenses for these subsidiaries, after elimination of intercompany transactions and accounts. The net income attributable to our physician partners who have ownership in our Consolidated Hospitals is included in net income attributable to noncontrolling interests in our consolidated statements of operations.

For our Equity Owned facilities, our share of the net income of each Equity Owned facility is based on the facility's net income and our percentage of ownership in the facility and is included in our consolidated statements as equity in earnings of affiliates. We earn management fees from most of our Equity Owned facilities for our management of the day-to-day operations. We also provide management services to one ASC that we don't own any equity interest.

The following summarizes certain key metrics for our surgical hospital and ASC business:

Facility Location	Number of Physician Partners	Number of Operating Rooms	Percentage Owned by Company	Managed by Company	Mgmt. Agreement Exp. Date
Consolidated Hospitals:					
San Antonio, Texas	22	6	51.0%	Yes	n/a
El Paso, Texas	71	6	51.0%	Yes	n/a
Houston, Texas	n/a	8	100.0%	Yes	n/a
Equity Owned Hospitals:					
Edmond, Oklahoma	42	3	8.0%	No	n/a
Equity Owned ASCs:					
Cumberland Valley, Maryland	14	1	33.7%	Yes	12/31/2020
Frederick, Maryland	20	4	20.1%	Yes	3/31/2017
Mercerville, New Jersey	25	3	10.0%	Yes	4/30/2020
Middleburg Heights, Ohio	13	4	10.0%	Yes	2/28/2021
Huntingdon Valley, Pennsylvania	22	4	20.0%	Yes	Monthly
Houston, Texas	15	4	10.0%	Yes	3/31/2021
Nacogdoches, Texas	9	3	12.5%	Yes	Monthly
Equity Owned HOPD:					
Oklahoma City, Oklahoma	(a)	5	(b)	Yes	1/19/2018
Managed Only ASC:					
Baton Rouge, Louisiana	17	6	0.0%	Yes	Monthly
Lafayette, Louisiana	3	4	0.0%	Yes	Monthly

(a) The 42 physician partners in our hospital in Edmond also participate in this HOPD through the hospital's 100% ownership of this HOPD.
(b) This HOPD is 100% owned by our hospital in Edmond, Oklahoma.
(c) This hospital is expected to be syndicated with physician partners.

Our facilities are licensed at the state level and are accredited by either the Accreditation Association for Ambulatory Healthcare (AAAHC) or the Det Norske Veritas (DNV). The only exception is our ASC in Nacogdoches, Texas which meets the accreditation standards, but the governing board of this ASC has elected to not seek accreditation. We recognize that accreditation is a crucial quality benchmark for payors since many managed care organizations will not contract with a facility until it is accredited. We believe that our historical success in obtaining and retaining accreditation for our facilities reflects our commitment to providing high quality care in our facilities.

Generally, each facility is owned and operated by either a limited partnership or limited liability company in which ownership interests are held by our local physician partners who practice at the facility and by us. Our partnership and limited liability company agreements typically provide for the monthly or quarterly pro rata distribution of cash equal to net profits from operations, less amounts held in reserve for expenses and working capital. These limited partnership or limited liability company agreements generally grant us representation on the facility's governing board and ensure our participation in fundamental decisions. Our influence over the businesses of our facilities is further enhanced by our management agreements with such facilities.

Our surgical hospitals and ASC facilities depend upon third-party reimbursement programs to pay for our services rendered to patients, including governmental Medicare and managed Medicare programs, a broad mix of private insurance programs, and co-pays, deductibles and cash payments from patients. Private payors typically employ reimbursement methodologies similar to those used by government providers. Under Medicare, our facilities are reimbursed for the services rendered through the payment of facility fees which vary depending on the type of facility (hospital, HOPD or ASC), and type of procedure. Hospitals and HOPDs are reimbursed for outpatient procedures in a manner similar to most ASCs except that the methodologies employed to calculate reimbursement rates generally result in rates that are higher than those for comparable procedures at free-standing ASCs. ASCs are reimbursed through the payment of a composite "ASC rate" which is set by us based on a survey of comparative rates, which includes payment for most of the expenses associated with the performance of a procedure such as nursing services, supplies, and staffing costs. Reimbursement rates for inpatient hospital services are determined using Medicare severity diagnosis related groups which are intended to compensate hospitals according to the estimated intensity of hospital resources necessary to furnish care for a particular diagnosed illness.

Our surgical hospital and ASC facilities depend upon third-party reimbursement programs, including governmental and private insurance programs, to pay for the preponderance of the services rendered to patients. Our surgical hospital and ASC facilities derive a portion of their revenues from governmental healthcare programs, primarily Medicare and managed Medicare programs, and the remainder from a wide mix of commercial payors and patient co-pays and deductibles. Private payors typically follow the method in which the government reimburses healthcare providers. Under the government's methodology our surgical hospital and ASC facilities are reimbursed for the performance of services through the payment of facility fees which vary according to whether the facility is a hospital or an ASC and the type of procedure that is performed. Hospitals are reimbursed for outpatient procedures in a manner similar to ASCs except that the methodologies employed to calculate reimbursement generally result in hospitals being reimbursed in this setting at a higher rate than free-standing ASCs. ASCs are reimbursed through the payment of a composite "ASC rate" which includes payment for most of the expenses associated with the performance of a procedure such as nursing services, supplies, and staffing costs. The reimbursement rates for inpatient hospital services are determined using Medicare severity diagnosis related groups which are intended to compensate hospitals according to the estimated intensity of hospital resources necessary to furnish care for a particular diagnosed illness.

Our revenues from the ASC and surgical hospital facilities are derived from (i) the pro rata distributions we receive on our ownership in the facilities, and (ii) management fees that we receive from these facilities. Such management fees are generally calculated as a percentage of the monthly net revenues. We own equity interests in all of our ASC and surgical hospital facilities except the Lake Surgery Center in Baton Rouge, Louisiana which we manage. We possess management agreements with all of our facilities.

Changes in Consolidated Hospitals and Equity Owned Investments

On May 11, 2016, we acquired 51% of the outstanding membership interests of Ninety Nine Healthcare Management, LLC ("99 Management"). 99 Management is a healthcare management located in Dallas, Texas. We believe the purchase of 99 Management will allow us to provide practice management services for our physician partners. We paid $440,000 in cash and issued 700,000 shares of our common stock for the purchase of the membership interests in 99 Management. We will issue an additional 200,000 shares of our common stock upon the execution by 99 Management of a signed contract between 99 Management and Blue Cross/Blue Shield of Texas for a narrow network program covering the Houston, Texas market

On December 31, 2015, we purchased substantially all of the hospital assets and hospital operating entity of University General Health Systems, Inc., consisting primarily of a sixty-nine bed acute care hospital located in the Medical City area of Houston, Texas ("UGH"). The purchase price of the UGH was $25.1 million, net of liabilities assumed. The UGH hospital is now operated as Foundation Surgical Hospital of Houston and referred to as "FSH Houston."

On July 15, 2015, we sold our 10% interest in the Kirby Glen Surgery, LLC, one of our Equity Owned ASCs located in Houston, Texas. We received $0.2 million in combined proceeds for the sale of the equity interest and termination of our management agreement.

On June 12, 2015, we sold a portion of our 20% equity investment in Grayson County Physician Property, LLC ("GCPP"), our Equity Owned hospital in Sherman, Texas, through a series of transactions. In conjunction with the sale, the management agreement under which we provided certain services including billing and collections, general management services, legal support, and accounting services was terminated. Our decision to sell the assets of GCPP was part of our overall strategic plan to focus on the growth of our majority owned surgical hospital businesses and divest any minority interest holdings. We received $7.8 million in proceeds as a result of the sale and $0.5 million in additional proceeds for the termination our management agreement. We used $7.0 million of these proceeds to reduce our principal balance of the note held by Bank SNB (our senior lender).

On March 31, 2015, Houston Orthopedic Surgical Hospital, L.L.C. ("HOSH"), our Equity Owned hospital in Houston, Texas, sold substantially all of its assets under an asset purchase agreement. Given that we do not exhibit control with our 20% investment in HOSH, we account for our investment on a cost or cash basis. As a result of the HOSH sale, we received a distribution on May 12, 2015 for $1.8 million, of which $0.6 million is being held in escrow until October 2016.

On January 1, 2015, Foundation Surgery Affiliates of Northwest Oklahoma City, LLC, or FSA OKC, our Equity Owned ASC located in Oklahoma City, Oklahoma was sold to Summit Medical Center LLC, or Summit Hospital, in exchange for unit ownership in Summit Hospital. As part of the transaction, the units of Summit Hospital were distributed to the individual FSA OKC investors including us. As a result of the transaction, we now hold an 8% ownership interest in Summit Hospital. In addition, the ASC facility in Oklahoma City is now operated as an HOPD for Summit Hospital.

Results of Operations

The following table sets forth selected results of our operations for the three months ended March 31, 2016 and 2015. The following information was derived and taken from our unaudited financial statements appearing elsewhere in this report.

	For the Three Months Ended March 31, 2016	For the Three Months Ended March 31, 2015
Net Revenues:		
Patient services	$ 38,436,243	$ 27,937,898
Provision for doubtful accounts	(1,921,985)	(421,024)
Net patient services revenue	36,514,258	27,516,874
Management fee from affiliates	913,033	1,249,322
Other revenue	1,209,787	775,954
Revenue	38,637,078	29,542,150
Equity in earnings from affiliates	389,370	438,909
Operating Expenses:		
Salaries and benefits	13,742,548	7,739,863
Supplies	7,622,763	6,069,661
Other operating expenses	16,792,797	14,083,477
Depreciation and amortization	2,748,862	1,381,507
Net other expense	962,381	308,717
Income (loss) from continuing operations, before taxes	(2,842,903)	397,834
(Provision) Benefit for income taxes	1,200,000	—
Income (loss) from continuing operations, net of taxes	(1,642,903)	397,834
Discontinued operations, net of tax	(11,761)	(113,588)
Net income (loss)	(1,654,664)	284,246
Less: Noncontrolling interests	728,095	1,420,894
Net loss attributable to Foundation Healthcare	$ (2,382,759)	$ (1,136,648)

Discussion of Three Month Period Ended March 31, 2016 and 2015

Patient services revenue increased $10.5 million, or 37.6%, during the three months ended March 31, 2016 compared with the first quarter of 2015. The increase was primarily due to:

- The addition of the FSH Houston, which resulted in an increase of $12.0 million; and
- An increase of drug testing laboratory service volume, at East El Paso Physician Medical Center, LLC (“FSH El Paso”) resulting in $1.3 million.

The offsetting decrease in patient services revenue is due to:

- A decrease in average reimbursement per surgical case at FSH El Paso driven by a reduced case mix of lower revenue surgical cases, primarily spine procedures, which resulted in a decrease of $2.7 million; and
- A decrease in surgical case volume at Foundation Bariatric Hospital of San Antonio, LLC (“FSH San Antonio”) resulting in a decrease of $0.1 million.

Provision for doubtful accounts increased $1.5 million, or 375.0%, during the three months ended March 31, 2016 compared with the first quarter of 2015. Provision for doubtful accounts as a percent of patient services revenue was 5.0% and 1.5% for the first quarter of 2016 and 2015, respectively. The increase is related to the drug testing laboratory service at FSH El Paso, which has a patient self-pay bad debt experience that is higher than the historical losses on our traditional surgical services, resulting in an increase of $0.6 million. The addition of the FSH Houston also resulted in an increase of $0.4 million. FSH San Antonio and FSH El Paso also experienced higher allowance rates during the three months ended March 31, 2016 compared with the first quarter of 2015 due to decreases in our overall collections resulting in an increase of $0.5 million.

Management fees from affiliates decreased $0.3 million, or 25.0%, during the three months ended March 31, 2016 compared with the first quarter of 2015. The decrease is due to lower collections at FSH San Antonio and FSH El Paso resulting in $0.3 million.

Other revenue increased $0.4 million, or 50.0%, during the three months ended March 31, 2016 compared with the first quarter of 2015. The increase is due to the attestation and qualification of meaningful use payments under the American Recovery and Reinvestment Act (ARRA) at FSH El Paso of $0.4 million.

Income from equity investments in affiliates in the first quarter of 2016 approximated the first quarter of 2015.

Salaries and benefits increased $6.0 million, or 77.9%, to $13.7 million from $7.7 million during the three months ended March 31, 2016, compared with the first quarter of 2015. The increase is due to the addition of the FSH Houston resulting in $5.9 million and increased corporate staffing of $0.1 million.

Supplies expense increased $1.5 million, or 24.6%, to $7.6 million from $6.1 million during the three months ended March 31, 2016, compared with the first quarter of 2015. The increase is due to the addition of the FSH Houston resulting in $1.6 million which was offset by a decrease in volumes at FSH San Antonio of $0.1 million.

Other operating expenses increased $2.7 million, or 19.1%, to $16.8 million from $14.1 million during the three months ended March 31, 2016, compared with the first quarter of 2015. The increase is due to the addition of the FSH Houston resulting in $3.5 million which was offset by a $0.8 million decrease in outsource fees related to the drug testing laboratory services at FSH El Paso.

Depreciation and amortization represents the depreciation expense associated with our fixed assets and the amortization attributable to our intangible assets. Depreciation and amortization increased $1.3 million, or 92.9%, to $2.7 million from $1.4 million during the three months ended March 31, 2016, compared with the first quarter of 2015. The increase is due to the addition of the FSH Houston resulting in $1.3 million.

Net other expense represents primarily interest expense on borrowings reduced by interest income earned on cash and the gain or loss on the sale of equity investments in affiliates. Net other expense increased $0.7 million in the first quarter of 2016 compared to the first quarter of 2015. The increase is due to the addition of the FSH Houston resulting in $0.7 million.

Discontinued operations represent the equity in earnings of GCPP and the operations of our independent diagnostic testing facilities ("IDTF") which were classified as held for sale in 2013. Our equity investment in GCPP and the related earnings were classified as discontinued in 2015 as the sale of our GCPP interest was part of our strategic shift to focus on majority owned investments. The results from our discontinued operations for the three months ended March 31, 2016 and 2015 are summarized below:

	2016	2015
Revenues:		
Equity in earnings of GCCP	$ —	$ (27,510)
Sleep operations	—	—
Total revenues	$ —	$ (27,510)
Net income (loss) before taxes:		
GCCP	$ —	$ (27,510)
Sleep operations	(11,761)	(86,078)
Net income (loss) from discontinued operations, net of tax	$ (11,761)	$ (113,588)

Noncontrolling interests were allocated $0.7 million and $1.4 million of net income during the three months ended March 31, 2016 and 2015, respectively. Noncontrolling interests are the equity ownership interests, held by outside investors, in our majority owned hospital subsidiaries, FSH El Paso and FSH San Antonio.

Net income (loss) attributable to Foundation Healthcare. Our operations resulted in a net loss of $2.4 million during the first quarter of 2016, compared to a net loss of $1.1 million during the first quarter of 2015.

Liquidity and Capital Resources

Generally our liquidity and capital resource needs are funded from operations, loan proceeds, equity offerings and more recently, lease and other real estate financing transactions. As of March 31, 2016, our liquidity and capital resources included cash of $2.9 million and working capital of $7.0 million. We have working capital of $6.1 million after adjusting for $0.9 million of redemption payments due to preferred noncontrolling interest holders in August 2016. As of December 31, 2015, our liquidity and capital resources included cash of $5.1 million and a working capital of $8.1 million (adjusted for $0.9 million of redemption payments due to preferred interest holders during 2016).

Cash used in operating activities from continuing operations was $1.3 million during the three months ended March 31, 2016 compared to the first three months of 2015 when cash provided by operating activities from continuing operations was $0.9 million. During the three months ended March 31, 2016, the primary sources of cash from operating activities from continuing operations were cash generated by income from continuing operations (net income increased by non-cash items) of $1.2 million and other assets of $0.1 million and increases in accrued liabilities and other current and noncurrent liabilities of $6.7 million. During the three months ended March 31, 2016, the primary uses of cash from continuing operations, were increases in accounts receivable, receivables from affiliates, prepaids and other current assets of $9.1 million and a decrease in other current liabilities of $0.1 million. During the three months ended March 31, 2015, the primary sources of cash from continuing operations were cash generated by income from continuing operation (net income increased by non-cash items) of $1.9 million, a decrease in prepaid and other current assets of $0.4 million and increases in accounts payable and other liabilities of $0.2 million. The primary uses of cash from continuing operations, were increases in accounts receivables, supplies inventories and other current and noncurrent assets totaling $0.4 million and a decrease in accrued liabilities and other current liabilities totaling $1.2 million.

Cash provided by operating activities from discontinued operations was $0.1 million during the three months ended March 31, 2016 compared to the first three months of 2015 when cash used in operating activities from discontinued operations was $0.1 million.

Net cash used in investing activities from continuing operations during the three months ended March 31, 2016 was $1.0 million compared to the first three months of 2015 when net cash provided by investing activities from continuing operations was $0.6 million. Investing activities during the first three months of 2016 were primarily related to distributions received from equity investments of $0.3 million which were offset by purchases of property and equipment, net of disposals, of $1.3 million. Investing activities during the first three months of 2015 were primarily related to distributions received from equity investments of $0.7 million which were offset by purchases of property and equipment, net of disposals, of $0.2 million.

There was no investing activities from discontinued operations during the first three months of 2016 or 2015.

Net cash provided by financing activities from continuing operations during the three months ended March 31, 2016 was $0.1 million compared to the first three months of 2015 when net cash used in financing activities from continuing operations was $0.8 million. During the three months ended March 31, 2016 and 2015, we received debt proceeds of $2.2 million and $1.8 million, respectively, and we made debt payments of $1.4 million, respectively. During the three months ended March 31, 2016 and 2015, we made distributions to noncontrolling interests of $0.6 million and $1.0 million, respectively. During the three months ended March 31, 2016 and 2015, we paid preferred noncontrolling dividends of $0.2 million, respectively.

There was no financing activities from discontinued operations during the first three months of 2016 or 2015.

We expect the total level of spending for capital expenditures to be greater in 2016 as compared to 2015 as a result of our various capital commitments in connection with the acquisition of UGH and our other Consolidated Hospitals.

Our business strategy contemplates the selective acquisition of additional hospitals, and we regularly review potential acquisitions. It could be necessary for us to seek additional financing to fund larger hospital acquisitions. We regularly evaluate opportunities to sell additional equity, obtain credit agreements from lenders or restructure our long-term debt or equity for strategic reasons or to further strengthen our financial position. The sale of additional equity could result in additional dilution to our stockholders.

We believe that cash generated from our operations and borrowings available under the TCB Credit Facility will be sufficient to meet our working capital needs and planned capital expenditures and other expected operating needs over the next twelve months and into the foreseeable future prior to the maturity dates of our outstanding debt. We also have planned additional sales of non-strategic assets to generate additional cash.

Texas Capital Bank Credit Facility

Effective December 31, 2015, the Company entered into a Credit Agreement (the “TCB Credit Facility”) with Texas Capital Bank, National Association (“TCB”). The TCB Credit Facility replaced and consolidates all of the Company’s and the Company’s subsidiaries’ debt in the principal amount of $28.4 million, which is referred to as the Term Loan, and provides for an additional revolving loan in the amount of $12.5 million, which is referred to as the Revolving Loan. The Company has also entered into a number of ancillary agreements in connection with the TCB Credit Facility, including deposit account control agreements, subsidiary guarantees, security agreements and promissory notes.

Maturity Dates. The Term Loan matures on December 30, 2020 and the Revolving Loan matures on December 30, 2018.

Interest Rates. Borrowings under the TCB Credit Facility are made, at the Company's option, as either Base Rate loans or LIBOR loans. "Base Rate" for any day is the highest of (i) the Prime Rate, (ii) the Federal Funds Rate plus one half of one percent (0.5%), and (iii) Adjusted LIBOR plus one percent (1.00%). LIBOR loans are based on either the one month, two month or three month LIBOR rate at the Company's option. The interest rate is either a Base Rate or LIBOR plus the Applicable Margins based on our Senior Debt to EBITDA Ratio, as defined.

The Applicable Margins are as follows:

Pricing Level	Senior Debt to EBITDA Ratio	Base Rate Portion	LIBOR Portion and Letter of Credit Fee	Commitment Fee
1	< 2.0 : 1.0	2.75%	3.75%	0.375%
2	≥ 2.0 : 1.0 but < 2.5 : 1.0	3.00%	4.00%	0.375%
3	≤ 2.5 : 1.0	3.25%	4.25%	0.375%

The Applicable Margin in effect will be adjusted within 45 days following the end of each quarter based on the Company's Senior Debt to EBITDA ratio. The Senior Debt to EBITDA Ratio is calculated by dividing all of our senior indebtedness (excluding capital lease obligations for Foundation Surgical Hospital of Houston), that is by the Company's EBITDA for the preceding four fiscal quarters. EBITDA is defined in the TCB Credit Facility as the Company's net income *plus* (b) *the sum of* the following: interest expense; income taxes; depreciation; amortization; extraordinary losses determined in accordance with GAAP; cash and noncash stock compensation expense; and other non-recurring expenses reducing such net income which do not represent a cash item in such period or any future period, *minus* (c) *the sum of* the following: income tax credits; extraordinary gains determined in accordance with GAAP; and all non-recurring, non-cash items increasing net income.

Interest and Principal Payments. The Company is required to make quarterly payments of principal and interest on the Term Loan. The first four quarterly payments on the Term Loan will be $1,013,393, on the first day of each April, July, October, and January during the term hereof, commencing April 1, 2016. The Company is required to make quarterly payments on the Revolving Loan equal to the accrued and unpaid interest. All unpaid principal and interest on the Term Loan and Revolving Loan must be paid on the respective maturity dates of each Loan.

Borrowing Base. The Company's ability to borrow money under the Revolving Loan is limited to the Company's Borrowing Base. The Company's Borrowing Base is equal to the *sum of* (i) 80% of the eligible account of Foundation Surgical Hospital of San Antonio, not to exceed the outstanding principal balance of the intercompany note payable by the San Antonio Hospital to the Company, (ii) 80% of the eligible account of Foundation Surgical Hospital of El Paso, not to exceed the outstanding principal balance of the intercompany note payable by the El Paso Hospital to the Company, and (iii) 80% of the eligible account of Foundation Surgical Hospital of Houston, not to exceed the outstanding principal balance of the intercompany note payable by the FSH Houston to the Company.

Mandatory Prepayments. The Company must make mandatory prepayments of the Term Loans in the following situations, among others:

- The Company must apply 100% of the net proceeds from the sale of worn out and obsolete equipment not necessary or useful for the conduct of the Company's business;
- Commencing with the fiscal year ending December 31, 2016, the Company must apply 50% of our Excess Cash Flow for such fiscal year to the installment payments due on the Company's Term Loan;
- The Company must apply 50% of the net cash proceeds from the issuance of equity interests to the installment payments due on the Company's Term Loan; provided that no prepayment need to be made for the year ended December 31, 2016 once the Company has made mandatory prepayments in excess of $10,000,000;
- The Company must apply 100% of the net cash proceeds from the issuance of debt (other than certain permitted debt) to the prepayment of the Term Loan;
- The Company must prepay 100% of the net cash proceeds paid to the Company other than in the ordinary course of business; and
- The Company must prepay 100% of the net cash proceeds the Company receives from the prepayment of intercompany notes.

Voluntary Prepayments. The Company may prepay amounts under the Term Loan or Revolving Loan at any time provided that the Company is required to pay a prepayment fee of 2% of the amount prepaid if payment is made prior to the first anniversary, 1.5%

if the prepayment is made after the first anniversary but prior to the second anniversary and 1% if the prepayment is made after the second anniversary but prior to the third anniversary.

Guaranties. Each of the Company's direct or indirect wholly-owned subsidiaries jointly and severally and unconditionally guaranty payment of the Company's obligations owed to Lenders.

Financial Covenants:

Debt to EBITDA Ratio. As of December 31, 2015, the Company must maintain a Debt to EBITDA Ratio, not in excess of 3.50 to 1.00. Thereafter, the Company must maintain a Debt to EBITDA Ratio as of the last day of any fiscal quarter, not in excess of (a) 3.25 to 1.00 for the fiscal quarters ending December 31, 2015, March 31, 2016, June 30, 2016 and September 30, 2016; (b) 2.75 to 1.00 for the fiscal quarters ending December 31, 2016, March 31, 2017, June 30, 2017 and September 30, 2017; (c) 2.50 to 1.00 for the fiscal quarters ending December 31, 2017, March 31, 2018, June 30, 2018 and September 30, 2018; and (d) 2.25 to 1.00 for the fiscal quarter ending December 31, 2018 and at the end of each fiscal quarter thereafter. As of March 31, 2016, the Company's Debt to EBITDA Ratio was 3.12.

Senior Debt to EBITDA Ratio. As of December 31, 2015, the Company must maintain a Senior Debt to EBITDA Ratio not in excess of 3.00 to 1.00. Thereafter, the Company must maintain a Senior Debt to EBITDA Ratio as of the last day of any fiscal quarter, not in excess of (a) 3.00 to 1.00 for the fiscal quarters ending December 31, 2015, March 31, 2016, June 30, 2016 and September 30, 2016; (b) 2.50 to 1.00 for the fiscal quarters ending December 31, 2016, March 31, 2017, June 30, 2017 and September 30, 2017; (c) 2.25 to 1.00 for the fiscal quarters ending December 31, 2017, March 31, 2018, June 30, 2018 and September 30, 2018; and (d) 2.00 to 1.00 for the fiscal quarter ending December 31, 2018 and at the end of each fiscal quarter thereafter. As of March 31, 2016, the Company's Senior Debt to EBITDA Ratio was 2.69.

Pre-Distribution Fixed Charge Coverage Ratio. The Company must maintain as of the last day of any fiscal quarter a Pre-Distribution Fixed Charge Coverage Ratio in excess of 1.30 to 1.00. As of March 31, 2016, the Company's Pre-Distribution Fixed Charge Coverage Ratio was 1.82.

Post-Distribution Fixed Charge Coverage Ratio. The Company must maintain as of the last day of any fiscal quarter, a Post-Distribution Fixed Charge Coverage Ratio in excess of 1.05 to 1.00. As of March 31, 2016, the Company's Pre-Distribution Fixed Charge Coverage Ratio was 1.30.

Capital Expenditures. The Company shall not make capital expenditures in excess of $5,000,000 during any fiscal year.

As of March 31, 2016, the Company is in compliance with all of the TCB Credit Facility financial covenants.

Collateral. Payment and performance of the Company's obligations under the TCB Credit Facility are secured in general by all of the Company and the Company's guarantors' assets.

Negative Covenants. The TCB Credit Facility has restrictive covenants that, among other things, limits or restricts the Company's ability to do the following without the consent of TCB:

- Incur additional indebtedness;
- Create or incur additional liens on the Company's assets;
- Engage in mergers or acquisitions;
- Pay dividends or make any other payment or distribution in respect of the Company's equity interests;
- Make loans and investments;
- Issue equity, except for stock compensation awards to employees;
- Engage in transaction with affiliates;
- Dispose of the Company's assets, except for certain approved assets;
- Engage in any sale and leaseback arrangements; and
- Prepay debt to debtors other than TCB.

Defaults and Remedies. In addition to the general defaults of failure to perform our obligations under the Loan Agreement, events of default also include the occurrence of a change in control, as defined, and the loss of our Medicare or Medicaid certification, collateral casualties, entry of a uninsured judgment of $500,000 or more, failure of first liens on collateral and the termination of any of the Company's management agreements that represent more than 10% of the Company's management fees for the preceding 18 month period. In the event of a monetary default, all of the Company's obligations due under the TCB Credit Facility shall become immediately due and payable. In the event of a non-monetary default, the Company has 10 days or in some cases three days to cure before Texas Capital Bank has the right to declare the Company's obligations due under the TCB Credit Facility immediately due and payable.

Modification and Waiver. On May 11, 2016, we entered into a Loan Modification Agreement and Waiver with TCB ("TCB Modification"). Under the TCB Modification, our Revolving Loan was increased from $12.5 million to $15.5 million. The $3.0 million of borrowing represents a temporary advance that must be repaid by July 31, 2016. In addition, TCB consented to the sale of certain of our assets and waived certain technical defaults in the TCB Credit Facility related to timing deadlines for certain financial information provided by us to TCB for the UGH Acquisition.

Contractual Obligations

Our future commitments under contractual obligations by expected maturity date at March 31, 2016 are as follows:

	< 1 year	1-3 years	3-5 years	> 5 years	Total
Short-term debt (1)	$ 805,763	$ —	$ —	$ —	$ 805,763
Long-term debt (1)	11,640,924	27,408,526	24,252,901	—	63,302,351
Capital building lease	2,320,035	4,639,288	4,638,107	35,493,493	47,090,923
Operating leases	12,486,916	24,918,253	24,718,441	80,525,059	142,648,669
Other long term liabilities	—	—	—	—	—
Preferred noncontrolling interest (2)	1,465,295	6,408,348	—	—	7,873,643
Total	$ 28,718,933	$ 63,374,415	$ 53,609,449	$ 116,018,552	$ 261,721,349

(1) Includes principal and interest obligations.
(2) Represents the redemption obligation, including interest, of our preferred noncontrolling interests.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and include amounts based on management's prudent judgments and estimates. Actual results may differ from these estimates. Management believes that any reasonable deviation from those judgments and estimates would not have a material impact on our consolidated financial position or results of operations. To the extent that the estimates used differ from actual results, however, adjustments to the statement of earnings and corresponding balance sheet accounts would be necessary. These adjustments would be made in future statements. For a complete discussion of all our significant accounting policies including recently adopted and recently issued accounting guidance, please see Note 2 to our consolidated financial statements included in Part 1 Item 1 of the Form 10-Q and our Note 3 to our consolidated financial statements included our 2015 annual report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We are a smaller reporting entity as defined in Rule 12b-2 of the Exchange Act and as such, are not required to provide the information required by Item 305 of Regulation S-K with respect to Quantitative and Qualitative Disclosures about Market Risk.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management (with the participation of our Principal Executive Officer and Principal Financial Officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of March 31, 2016. Based on this evaluation, our Principal Executive Officer and Principal Financial Officer concluded that these disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting, except as noted below:

On December 31, 2015, we completed our acquisition of UGH. We have extended our oversight and monitoring processes that support our internal control over financial reporting to include UGH's operations.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Aetna Life Insurance Company v. Huntingdon Valley Surgery Center, Foundation Surgery Affiliates, LLC and Foundation Management Affiliates, LLC, Case No. 13-3101, United States District Court for the Eastern District of Pennsylvania. On December 2, 2013, Aetna Life Insurance Company ("Aetna") filed a complaint against Huntingdon Valley Surgery Center ("HVSC") and the Foundation defendants alleging that the Foundation defendants impose on the ASCs that they manage an unlawful "out of network business model" by means of which the defendants offer illegal inducements to physicians and patients to drive patient referrals to HVSC, which does not have a contract with Aetna and could therefore charge higher rates for its services. Aetna is asserting violations of Pennsylvania's anti-kickback statute by all defendants, conspiracy to violate Pennsylvania's anti-kickback statute by all defendants, insurance fraud, aiding and abetting insurance fraud, tortious interference with the contracts between Aetna and its in-network physicians. Aetna has reached a settlement with HVSC. On the Aetna claims against the Foundation defendants, the Court has granted the Foundation defendants a partial summary judgment on all such claims except tortious interference. In April 2016, Aetna appealed the decision.

United States of America ex rei. Mary Dupont, M.D., Relator, v. Metropolitan Medical Partners LLC. d/b/a Surgery Center of Chevy Chase; Surgical Synergies, Inc.; Foundation Surgery Affiliates, LLC; and Foundation Healtlzcare, Inc., Case No. No. 13-cv-03590-PJM, U.S. District Court for the District of Maryland, Greenbelt Division. In November, 2013, the relator, Mary Dupont, M.D. ("Dupont"), filed under seal a False Claims Act ("FCA") or "qui tam" complaint initiating this action. On October 30, 2014, the federal government filed a Notice of Election to Decline Intervention and on November 12, 2014, the Court entered an Order unsealing the Dupont complaint. Dupont filed her First Amended Complaint on June 19, 2015. Dupont, a urologist and physician-investor in an ambulatory surgery center in Chevy Chase, Maryland (the "Center"), alleged that the Center, in concert with defendant Surgical Synergies, Inc. ("SSI") and the Foundation defendants, effectively shut her out of her practice at the Center by imposing a 75 procedure-per-year quota on procedures performed at the Center, and, barring her from performing an allegedly unprofitable procedure involving the surgical implantation of a mesh sling. The First Amended Complaint alleged claims including Medicare fraud, Presentation of False Claims, and violations of the Maryland False Health Claims Act. ln August 2015, all defendants, including the Foundation defendants, moved to dismiss the First Amended Complaint and argued that the First Amended Complaint failed to state a claim for relief as against them under Federal Rules of Civil Procedure 12(b)(6) and 9(b) because Dupont failed to plead the requisite details of any specific false claim with particularity, failed to adequately plead any conspiracy to violate the FCA, and failed to sufficiently plead any violation of the federal anti-kickback statute, which constituted the alleged substantive basis of her FCA claims. The Foundation defendants also argued that the FCA claims against them should be dismissed for lack of subject matter jurisdiction. In September 2015, Dupont filed a Second Amended Complaint by consent, making limited factual modifications to her pleading and reasserting the claims made in the First Amended Complaint. In October 2015, all defendants, including the Foundation defendants, filed motions to dismiss the Second Amended Complaint on essentially the same grounds as were asserted against the First Amended Complaint. On February 3, 2016, the Court granted Defendants' motions to dismiss in part, dismissing with prejudice Dupont's claim under the Maryland False Health Claims Act and dismissing without prejudice Dupont's "Economic Loss" claim. The Court's February 3, 2016 Order did not reach the merits of Defendants' motions to dismiss the remaining counts, but instead granted Dupont leave to file a Third Amended Complaint which was done in March 2016. In April 2016, Defendants filed a motion to dismiss. A hearing on the motion to dismiss has been set for July 25, 2016. We intend to continue to defend the action vigorously.

In the normal course of business, we may become involved in litigation or in legal proceedings. Including the litigation described above, we are not aware of any such litigation or legal proceedings that we believe will have, individually or in the aggregate, a material adverse effect on our business, financial condition and results of operations.

Item 1A. Risk Factors.

There are no material changes from the risk factors previously disclosed in our 2015 Annual Report on Form 10-K

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

We do not have anything to report under this Item.

Item 3. Defaults Upon Senior Securities.

We do not have anything to report under this Item.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

We do not have anything to report under this Item.

Item 6. Exhibits.

(a) Exhibits:

Exhibit No.	Description
10.1	Lease Agreement, as Amended, dated July 21, 2005 by and between Cambridge Properties, a sole proprietorship of Dr. Timothy L. Sharma and University Hospital Systems, LLP is incorporated by reference to Exhibit 10.21 of the Registrant's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission on March 30, 2016.
10.2+	Loan Modification Agreement and Waiver, dated May 11, 2016, by and between Foundation Healthcare, Inc. and Texas Capital Bank, National Association.
31.1+	Certification of Stanton Nelson, Principal Executive Officer of Registrant.
31.2+	Certification of Hubert King, Principal Financial Officer of Registrant.
32.1+	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of Sarbanes-Oxley Act of 2002 of Stanton Nelson, Principal Executive Officer of Registrant.
32.2+	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of Sarbanes-Oxley Act of 2002 of Hubert King, Principal Financial Officer of Registrant.
101. INS	XBRL Instance Document.
101. SCH	XBRL Taxonomy Extension Schema Document.
101. CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101. DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101. LAB	XBRL Taxonomy Extension Label Linkbase Document.
101. PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

\+ Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FOUNDATION HEALTHCARE, INC.
(Registrant)

By: /S/ STANTON NELSON
Stanton Nelson
Chief Executive Officer
(Principal Executive Officer)

Date: May 16, 2016

By: /S/ HUBERT KING
Hubert King
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: May 16, 2016

Exhibit 10.2

LOAN MODIFICATION AGREEMENT AND WAIVER

THIS LOAN MODIFICATION AGREEMENT AND WAIVER ("***Amendment***") is dated effective as of May 11, 2016 by and among FOUNDATION HEALTHCARE, INC., an Oklahoma corporation ("***Borrower***"), the lenders from time to time party to the Credit Agreement (collectively, "***Lenders***" and individually, a "***Lender***"), and TEXAS CAPITAL BANK, NATIONAL ASSOCIATION, a national banking association, as Administrative Agent and L/C Issuer (the "***Administrative Agent***").

RECITALS

A. Administrative Agent, Lenders and Borrower are parties to that certain Credit Agreement, dated as of December 31, 2015 (the "***Credit Agreement***").

B. Borrower has requested that Administrative Agent and the Lenders, among other things:

(i) waive certain Events of Default as more specifically provided herein;

(ii) increase the Revolving Credit Commitments from $12,500,000 to $15,500,000 temporarily, from the date hereof until July 31, 2016; and

(iii) consent to the following:

(a) the acquisition by Foundation Surgical Hospital Holdings, LLC, a Guarantor, of 51% of the outstanding Equity Interests of Ninety Nine Healthcare Management, LLC,

(b) the sale of 100% of the Equity Interests held by Foundation Surgery Holdings, LLC, a Guarantor, in Summit Medical Center, LLC, a Non-Controlled Hospital Entity,

(c) the sale of 49% of the Equity Interest of Foundation Surgery Affiliates, LLC, a Guarantor,

(d) the issuance of warrants for the purchase of Equity Interests in the Houston Hospital to certain physicians, and

(e) the issuance of Equity Interests of the Borrower to employees in lieu of cash bonuses.

C. Administrative Agent and the Lenders are willing to permit such modifications subject to the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, the parties, intending to be legally bound, hereby agree as follows:

ARTICLE I
Recitals and Definitions

Section 1.01. Recitals. The foregoing recitals are hereby incorporated into and made a part of this Amendment for all purposes.

Section 1.02. Definitions. Capitalized terms used in this Amendment, to the extent not otherwise defined herein, shall have the same meaning as in the Credit Agreement. Definitions contained in the Credit Agreement, as amended hereby, and in the other Loan Documents which identify agreements, instruments or documents shall be deemed to include all amendments and supplements to such agreements, instruments and documents and, without any obligation on the part of Lender to enter into any future amendments, modifications or supplements, all future amendments, modifications, and supplements thereto entered into from time to time.

ARTICLE II
Waiver of Event of Default; Etc.

Section 2.01. Event of Default. Pursuant to Section 7.1 of the Credit Agreement, Borrower was required to deliver to Administrative Agent (a) within 45 days after the last day of the calendar month ended December 31, 2015, (i) an unaudited financial report of the Borrower Entities, (ii) a Borrowing Base Report, and (iii) a listing of accounts receivable and accounts payable; (b) within 45 days of the quarter ended December 31, 2015, (i) an unaudited financial report of the Houston Hospital and (ii) a Compliance Certificate; and (c) within 30 days of the beginning of 2016, an operating budget. Borrower failed to timely make such deliveries (collectively, the "***Current Defaults***") which, under Section 10.1(b), constitutes one or more Events of Default.

Section 2.02. Waiver of Current Defaults. Subject to satisfaction of the other conditions set forth in this Amendment, each of the Administrative Agent and Lenders hereby waives the Current Defaults. This waiver is limited to the Current Defaults and shall not be deemed to be a waiver of any other provision of the Loan Documents. Neither the execution by Administrative Agent and the Lenders of this Amendment, nor any other act or omission by the Administrative Agent and the Lenders in connection herewith, shall be deemed a waiver by the Administrative Agent and the Lenders of any other Default or Event of Default which may exist or which may occur in the future under the Credit Agreement or any other Loan Document (collectively "***Other Violations***"). Similarly, nothing contained in this Amendment shall, directly or indirectly, in any way whatsoever, either (a) impair, prejudice or otherwise adversely affect the rights of the Administrative Agent and Lenders at any time to exercise any right, privilege, or remedy in connection with the Loan Documents with respect to any Other Violations, or (b) constitute any course of dealing or other basis for altering any obligation of Borrower or any Obligated Party or any right, privilege, or remedy of Lender under the Loan Documents. Nothing in this Amendment shall be construed to be a consent or waiver by the Administrative Agent or any Lender to any Other Violations.

ARTICLE III
Consents

Section 3.01. Acquisition of Equity Interests in Ninety Nine Healthcare Management, LLC. Borrower has informed the Administrative Agent and the Lenders that Foundation Surgical Hospital Holdings, LLC, a Guarantor, desires to acquire 51% of the outstanding Equity Interests of Ninety Nine Healthcare Management, LLC, a Texas limited liability company ("***Ninety Nine Healthcare***"), a physician practice management company, for $440,000 in cash, utilizing an advance under the Revolving Credit Facility, and 900,000 shares of common stock of the Borrower pursuant to the terms of the Membership Interest Purchase Agreement dated March 1, 2016 and amendment thereto dated May 11, 2016 attached hereto as Exhibit A (the "***Ninety Nine Healthcare Transaction***"). The Administrative Agent and Lenders hereby consent to the Ninety Nine Healthcare Transaction as described herein. On the date of closing of the Ninety Nine Healthcare Transaction, (a) Borrower shall deliver to Administrative Agent a true, correct and complete copy of the acquisition documents, and (b) Borrower shall cause Ninety Nine Healthcare to execute (i) an Intercompany Note payable to the Borrower in the principal amount of $440,000, which will be assigned, and the original thereof will be delivered, to Administrative Agent; and (ii) a security agreement in favor of Borrower granting a lien on substantially all of the assets of Ninety Nine Healthcare. In addition, within ninety (90) days of the closing date of the Ninety Nine Healthcare Transaction, Borrower shall cause (A) Ninety Nine Healthcare to execute a control agreement in form and substance reasonably satisfactory to the Administrative Agent among Ninety Nine Healthcare, the Borrower and the Administrative Agent, (B) Ninety Nine Healthcare to use Texas Capital Bank as its principal depository bank, including for the maintenance of business, cash management, operating and administrative deposit accounts, and, to the extent accounts are maintained with a financial institution other than Texas Capital Bank, enter into control agreements in form and substance satisfactory to Administrative Agent, and (C) Ninety Nine Healthcare to have no subsidiaries or own any Equity Interests in any Person other than Ninety Nine Human Resources, LLC. Notwithstanding anything to the contrary contained in the Loan Documents, none of the Borrower Entities shall make any advance, distribution or loan to, or other investment in, Ninety Nine Healthcare unless the amount thereof is subject to repayment pursuant to the terms of an Intercompany Note assigned to Administrative Agent.

Section 3.02. Sale of Equity Interest in Summit Medical Center. Borrower has informed the Administrative Agent and the Lenders that Foundation Surgery Holdings, LLC, a Guarantor, (a) desires to sell 100% of its Equity Interests of Summit Medical Center, LLC, a Non-Controlled Hospital Entity for an amount in excess of $1,200,000 and (b) upon consummation of the sale, 100% of the proceeds will be delivered to the Administrative Agent for application, first, to outstanding amounts under the Revolving Credit Loans and, second, to prepay the Term Loans (the "***Summit Transaction***"). The Administrative Agent and Lenders hereby consent to the Summit Transaction as described herein; provided, however, that such consent shall not be effective until such time as the Administrative Agent receives, reviews and approves, in its reasonably discretion, the terms of and documents evidencing the Summit Transaction and provides written notice to the Borrower thereof. Immediately upon consummation of the Summit Transaction (and approval thereof by the Administrative Agent as set forth herein), (i) Summit Medical Center, LLC shall no longer be a Non-Controlled Hospital Entity under the Credit Agreement and (ii) Borrower shall deliver to Administrative Agent (x) a true, correct and complete copy of the transaction documents and (y) 100% of the proceeds.

Section 3.03. Sale of Equity Interest in Foundation Surgery Affiliates, LLC. Borrower has informed the Administrative Agent and the Lenders that TSH Acquisition, LLC, a Guarantor, (a) desires to sell 49% of its Equity Interests of Foundation Surgery Affiliates, LLC, a Guarantor, for an amount in excess of $2,500,000 and (b) upon consummation of the sale, 100% of the proceeds will be delivered to the Administrative Agent for application, first, to outstanding amounts under the Revolving Credit Loans and, second, to prepay the Term Loans (the "***Ambulatory Surgery Division Transaction***"). The

Administrative Agent and Lenders hereby consent to the Ambulatory Surgery Division Transaction as described herein; provided, however, that such consent shall not be effective until such time as the Administrative Agent receives, reviews and approves, in its reasonably discretion, the terms of and documents evidencing the Ambulatory Surgery Division Transaction and provides written notice to the Borrower thereof.. Immediately upon consummation of the Ambulatory Surgery Division Transaction, Borrower shall deliver to Administrative Agent (a) a true, correct and complete copy of the transaction documents and (b) 100% of the proceeds.

Section 3.04. <u>Issuance of Warrants in the Houston Hospital to Physicians</u>. Borrower has informed the Administrative Agent and the Lenders that Borrower desires to issue to physicians at the Houston Hospital (the "***Houston Hospital Warrant Transaction***") up to 98 Interests at $50,000 per interest. Each "Interest" will consist of one Class A Unit in Houston Hospital and 10,000 shares of the common stock of Foundation Healthcare, Inc. The issuance of the warrants will terminate on June 30, 2016, and the warrants will expire on June 30, 2019. The Administrative Agent and Lenders hereby consent to the Houston Hospital Warrant Transaction as described herein.

Section 3.05. <u>Issuance of Stock in Borrower</u>. Borrower has informed the Administrative Agent and the Lenders that the Borrower desires to issue common stock to its employees in lieu of cash bonuses from time to time in accordance with its long term incentive plan and otherwise in the ordinary course of business (the "***Stock Bonus Transactions***"). The Administrative Agent and Lenders hereby consent to the Stock Bonus Transactions as described herein.

Section 3.06. <u>El Paso Sale Transaction</u>. Borrower has informed the Administrative Agent and the Lenders that Foundation Surgical Hospital Holdings, LLC, a Guarantor, (a) desires to sell its real property for a purchase price of not less than $1,400,000 and (b) upon consummation of the sale, 100% of the proceeds will be delivered to the Administrative Agent for application, first, to outstanding amounts under the Revolving Credit Loans and, second, to prepay the Term Loans (the "***El Paso Transaction***"). The Administrative Agent and Lenders hereby consent to the El Paso Transaction as described herein; provided, however, that such consent shall not be effective until such time as the Administrative Agent receives, reviews and approves, in its reasonably discretion, the terms of and documents evidencing the El Paso Transaction and provides written notice to the Borrower thereof. Immediately upon consummation of the El Paso Transaction, Borrower shall deliver to Administrative Agent (a) a true, correct and complete copy of the transaction documents and (b) 100% of the proceeds.

ARTICLE IV
<u>Amendments to Credit Agreement</u>

Section 4.01. <u>Definition of Change of Control</u>. Section 1.1 of the Credit Agreement is amended by amending and restating clause (f) of the definition of Change of Control to read as follows:

> (f) Borrower ceases to own, directly or indirectly, at least 51% of any Controlled Hospital Entity or Ninety Nine Healthcare;

Section 4.02. <u>Definition of Houston Hospital</u>. Section 1.1 of the Credit Agreement is amended by amending and restating the definition of Houston Hospital to read as follows:

> "***Houston Hospital***" means University General Hospital, LLC, a Texas limited liability company (f/k/a University General Hospital, LP, a Texas limited partnership).

Section 4.03. Definition of Intercompany Note. Section 1.1 of the Credit Agreement is amended by amending and restating the definition of Intercompany Note to read as follows:

> "***Intercompany Note***" means a promissory note in substantially the form of ***Exhibit K*** evidencing advances made by Borrower to a Controlled Hospital Entity and/or Ninety Nine Healthcare from the proceeds of the Loans.

Section 4.04. Definition of Intercompany Note Documents. Section 1.1 of the Credit Agreement is amended by amending and restating the definition of Intercompany Note Documents to read as follows:

> "***Intercompany Note Documents***" means each Intercompany Note, Controlled Hospital Entity Control Agreement, Controlled Hospital Entity Security Agreement, Ninety Nine Healthcare Control Agreement, Ninety Nine Healthcare Security Agreement and each other document, instrument or agreement executed or delivered in connection with the foregoing.

Section 4.05. Definition of Material Adverse Event. Section 1.1 of the Credit Agreement is amended by amending and restating the definition of Material Adverse Event to read as follows:

> "***Material Adverse Event***" means any act, event, condition, or circumstance which could materially and adversely affect (a) the operations, business, properties, liabilities (actual or contingent), condition (financial or otherwise) or prospects of any of the Borrower Entities, Ninety Nine Healthcare or Non-Controlled Hospital Entities, taken as a whole; (b) the ability of any Obligated Party to perform its obligations under any Loan Document to which it is a party; (c) the ability of any Controlled Hospital Entity or Ninety Nine Healthcare to perform its obligations under the Intercompany Note Documents; or (d) the legality, validity, binding effect or enforceability against any Obligated Party of any Loan Document to which it is a party.

Section 4.06. Definitions of Ninety Nine Healthcare, Ninety Nine Healthcare Control Agreement, and Ninety Nine Healthcare Security Agreement. Section 1.1 of the Credit Agreement is amended by adding the following definitions in their proper alphabetical order to read as follows:

> "***Ninety Nine Healthcare***" means Ninety Nine Healthcare Management, LLC, a Texas limited liability company.

> "***Ninety Nine Healthcare Control Agreement***" means a deposit account control agreement in substantially the form of ***Exhibit I*** among Ninety Nine Healthcare, as borrower, Borrower, as lender, and Agent, as depository bank.

> "***Ninety Nine Healthcare Security Agreement***" means a security agreement in substantially the form of ***Exhibit J***, pursuant to which Ninety Nine Healthcare grants to Borrower a security interest in substantially all of its assets.

Section 4.07. Letter of Credit Fees Payable in Arrears. Section 2.4(b) of the Credit Agreement is amended by amending and restating the third and fourth sentence to read as follows:

> Letter of Credit Fees for each commercial and standby Letter of Credit shall computed on a quarterly basis and be payable in arrears on the first Business Day of each April, July, October and January thereafter so long as such Letter of Credit remains outstanding.

Section 4.08. Uncommitted Increase in Revolving Credit Commitment of $3,000,000.

(a) *Maturity Date* – Section 1.1 of the Credit Agreement is hereby amended by amending and restating the definition of Maturity Date to read as follows:

"***Maturity Date***" means (a) with respect to the Revolving Credit Facility, December 30, 2018, or such earlier date on which the Revolving Credit Commitment of each Revolving Credit Lender terminates as provided in this Agreement; provided that any and all amounts outstanding under the May 2016 Temporary Advance shall be due and payable on July 31, 2016, and (b) with respect to the Term Loan Facility, December 30, 2020; *provided*, *however*, that, in each case, if such date is not a Business Day, the Maturity Date shall be the next succeeding Business Day.

(b) *Minimum Amount of Uncommitted Increase* – Section 2.10(a) of the Credit Agreement is hereby amended by amending and restating the proviso to read as follows:

provided that any such request for an increase shall be in a minimum amount of $1,500,000.

(c) *Increase and Advance* – Section 2.10 of the Credit Agreement is hereby amended by adding clause (g) to read as follows:

(g) **May 2016 Temporary Advance**. Subject to the terms and conditions of this Agreement, each Lender listed on Annex I attached to that certain Loan Modification and Waiver dated May 11, 2016 severally agrees to make one or more revolving credit loans to Borrower from time to time from May 11, 2016 until July 31, 2016 in an aggregate principal amount for such Lender at any time outstanding up to but not exceeding the amount listed on Annex 1 (the "***May 2016 Temporary Advance***"). Each May 2016 Temporary Advance shall be deemed to be a Revolving Credit Borrowing, shall be evidenced by a separate Revolving Credit Note, and the Revolving Credit Commitment of each Revolving Credit Lender shall, until the May 2016 Temporary Advance is paid in full, be deemed amended to take into account such advances. Borrower agrees that any and all May 2016 Temporary Advances, as determined by the Administrative Agent, shall be paid in full on or before July 31, 2016. Each of the Lenders acknowledges and agrees that, so long as any amount remains outstanding under this clause (g), payments on the Obligations to be applied to the Revolving Credit Loans shall be applied first to the advances hereunder.

Section 4.09. Landlord Waivers and Control Agreements. Section 7.17(b) and (c) of the Credit Agreement are amended and restated to read as follows:

(b) Borrower shall use reasonable efforts to obtain landlord waivers not later than June 30, 2016 in form and substance reasonably satisfactory to the Administrative Agent executed by the landlords of all locations leased by the Controlled Hospital Entities and the Borrower.

(c) Not later than June 30, 2016, Borrower shall have executed, and caused each of the Controlled Hospital Entities to execute, Controlled Hospital Entity Control Agreements in form and substance reasonably satisfactory to Administrative Agent.

ARTICLE V
Conditions

Section 5.01. Conditions Precedent. The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent, in form and substance satisfactory to Lender, unless specifically waived in writing by Administrative Agent:

(a) Administrative Agent shall have received this Amendment originally executed and delivered by Borrower and the Lenders;

(b) Administrative Agent shall have received an Authority Certificate executed by an officer of Borrower;

(c) Administrative Agent shall have received an acknowledgment and consent from the Guarantors in the form attached hereto as Annex II;

(d) Administrative Agent shall have received from Borrower additional Revolving Credit Notes taking into account the amount of the May 2016 Temporary Advance;

(e) Administrative Agent shall have received Intercompany Note Documents with respect to Ninety Nine Healthcare, including an originally executed Intercompany Note assigned to the Administrative Agent and a UCC-1 Financing Statement listing Ninety Nine Healthcare as the debtor and Borrower as the secured party to be filed with the Texas Secretary of State and assigned to Administrative Agent;

(f) Administrative Agent shall have received a revised Schedule 3.10 to that certain Security Agreement dated December 31, 2015 between Guarantors and Administrative Agent reflecting the addition of the Equity Interests of Ninety Nine Healthcare, which schedule will be attached by the Administrative Agent and each of the other parties to their respective copies of the Security Agreement to replace any prior Schedule 3.10 attached thereto;

(g) Administrative Agent shall have received such UCC lien searches as Administrative Agent may require;

(h) The representations and warranties contained herein, in the Credit Agreement, as amended hereby, and in each other Loan Document, as amended of even date herewith, shall be true and correct as of the date hereof, as if made on the date hereof;

(i) Except for the Current Defaults, no Default or Event of Default shall have occurred and be continuing;

(j) All corporate proceedings taken in connection with the transactions contemplated by this Amendment and all documents, instruments and other legal matters incident thereto, shall be satisfactory to Lender;

(k) Administrative Agent shall have received from Borrower payment of all expenses incurred by Lender to date, including reasonable attorneys' fees and costs; and

(l) Lender shall have received such other documents, instruments or certificates as Lender and its counsel may reasonably require, including such documents as Lender in its sole discretion deems necessary or appropriate to effectuate the terms and conditions of this Amendment and the Loan Documents.

ARTICLE VI
Ratifications, Representations and Warranties

Section 6.01. Ratifications. The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Credit Agreement and the other Loan Documents and, except as expressly modified and superseded by this Amendment, the terms and provisions of the Credit Agreement and the other Loan Documents are ratified and confirmed and shall continue in full force and effect. The Credit Agreement, as amended, and the other Loan Documents, as amended, shall continue to be legal, valid, binding and enforceable in accordance with their respective terms.

Section 6.02. Representations and Warranties. Borrower hereby represents and warrants to the Administrative Agent and the Lenders as follows:

(a) the execution, delivery and performance of this Amendment and any and all other Loan Documents executed and/or delivered in connection herewith have been authorized by all requisite action on the part of Borrower and do not and will not conflict with or violate any provision of any applicable law, the organizational documents of, or any agreement, document, judgment, license, order or permit applicable to or binding upon any of the Borrower; and no consent, approval, authorization or order of and no notice to or filing with, any court or governmental authority or third person is required in connection with the execution, delivery or performance of this Amendment or to consummate the transactions contemplated hereby;

(b) the representations and warranties contained in the Credit Agreement, as amended, and in each of the other Loan Documents, as amended, are true and correct on and as of the date hereof as though made on and as of the date hereof, except to the extent such representations and warranties relate to an earlier date;

(c) Except for the Current Defaults, Borrower is in full compliance with all covenants and agreements contained in the Credit Agreement, as amended, and in each of the other Loan Documents, as amended; and

(d) Borrower acknowledges and agrees that each of the Administrative Agent and Lenders is in full compliance with all covenants and agreements contained in the Credit Agreement, as amended, and in each of the other Loan Documents, as amended.

Section 6.03. Renewal and Extension of Security Interests and Liens. Borrower hereby acknowledges, ratifies, reaffirms and renews the liens and security interests created by and granted in the Loan Documents in all of the assets of Borrower and Guarantors now or hereafter owned (collectively, together with any and all substitutes, replacements and proceeds thereof, the "Collateral"). Borrower agrees that this Amendment shall in no manner affect or impair the liens and security interests securing the Obligations, and that such liens and security interests shall not in any manner be waived, the purposes of this Amendment being to modify the Credit Agreement as herein provided, and to carry forward all liens and security interest securing same, which are acknowledged by Borrower to be valid and subsisting, perfected in favor of Lender and prior in right and interest over any other liens or security interests existing on the Collateral. Borrower covenants and agrees that no security interests or liens exist on the Collateral, except in favor of Lender and as otherwise expressly permitted in the Credit Agreement.

Section 6.04. Modification. Borrower acknowledges and agrees that (a) this Amendment shall not constitute a novation or otherwise extinguish the Obligations evidenced by the Credit Agreement, as amended, or the other Loan Documents, as amended; (b) the Obligations shall be paid in accordance with the terms and conditions of the Credit Agreement, as amended, and the other Loan Documents, as amended; and (c) neither Borrower nor any Guarantor has any right of offset, defense, or counterclaim to the payment and performance of the Notes or any of the other Obligations under the Credit Agreement, as amended, or any other Loan Document, as amended. Neither the Administrative Agent nor the Lenders have made any commitment, either express or implied, to extend the maturity date of the Notes, or to provide Borrower with any financing, beyond the maturity date of the Notes, it being expressly acknowledged and agreed to by Borrower that the Obligations shall be due and payable in full as set forth in the Loan Documents.

ARTICLE VII
Miscellaneous

Section 7.01. Survival of Representations and Warranties. All representations and warranties made in this Amendment, the Credit Agreement or any other document or documents relating thereto, including, without limitation, any Loan Document furnished in connection with this Amendment, shall survive the execution and delivery of this Amendment and the other Loan Documents, and no investigation by the Administrative Agent or any Lender or any closing shall affect the representations and warranties or the right of the Administrative Agent and Lenders to rely upon them.

Section 7.02. Reference to Credit Agreement and the Other Loan Documents. Each of the Loan Documents, including the Credit Agreement and any and all other agreements, documents or instruments now or hereafter executed and delivered pursuant to the terms hereof or pursuant to the terms of the Credit Agreement and the other Loan Documents, as amended hereby, are hereby amended so that any reference in such Loan Documents to the Credit Agreement or any other Loan Document shall mean a reference to the Credit Agreement and the other Loan Documents as amended hereby or of even date herewith, and as may be further amended from time to time.

Section 7.03. Expenses of Lender. As provided in the Credit Agreement, Borrower agrees to pay on demand all reasonable costs and expenses incurred by the Administrative Agent in connection with the preparation, negotiation and execution of this Amendment and the other Loan Documents executed pursuant hereto and any and all amendments, modifications, and supplements hereto, including, without limitation, the reasonable costs and fees of Administrative Agent's legal counsel, and all reasonable costs and expenses incurred by Administrative Agent in connection with the enforcement or preservation of any rights under the Credit Agreement, as amended hereby, or any other Loan Document.

Section 7.04. RELEASE. BORROWER HEREBY ACKNOWLEDGES THAT IT HAS NO DEFENSE, COUNTERCLAIM, OFFSET, CROSS-COMPLAINT, CLAIM OR DEMAND OF ANY KIND OR NATURE WHATSOEVER THAT CAN BE ASSERTED TO REDUCE OR ELIMINATE ALL OR ANY PART OF ITS LIABILITY TO PAY AND PERFORM THE OBLIGATIONS UNDER THE LOAN DOCUMENTS OR TO SEEK AFFIRMATIVE RELIEF OR DAMAGES OF ANY KIND OR NATURE FROM THE ADMINISTRATIVE AGENT AND LENDERS. BORROWER HEREBY VOLUNTARILY AND KNOWINGLY RELEASES AND FOREVER DISCHARGES THE ADMINISTRATIVE AGENT, LENDERS, AND THEIR RESPECTIVE PREDECESSORS, AGENTS, EMPLOYEES, ATTORNEYS, SUCCESSORS AND ASSIGNS (COLLECTIVELY, THE "RELEASED PARTIES"), FROM ALL POSSIBLE CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION,

DAMAGES, COSTS, EXPENSES, AND LIABILITIES WHATSOEVER, KNOWN OR UNKNOWN, ANTICIPATED OR UNANTICIPATED, SUSPECTED OR UNSUSPECTED, FIXED, CONTINGENT, OR CONDITIONAL, AT LAW OR IN EQUITY, ORIGINATING IN WHOLE OR IN PART ON OR BEFORE THE DATE THIS AMENDMENT IS EXECUTED, WHICH THE BORROWER MAY NOW OR HEREAFTER HAVE AGAINST THE RELEASED PARTIES (OR ANY OF THEM), IF ANY, AND IRRESPECTIVE OF WHETHER ANY SUCH CLAIMS ARISE OUT OF CONTRACT, TORT, VIOLATION OF LAW OR REGULATIONS, OR OTHERWISE, AND ARISING FROM ANY OF THE OBLIGATIONS, INCLUDING, WITHOUT LIMITATION, ANY CONTRACTING FOR, CHARGING, TAKING, RESERVING, COLLECTING OR RECEIVING INTEREST IN EXCESS OF THE HIGHEST LAWFUL RATE APPLICABLE, THE EXERCISE OF ANY RIGHTS AND REMEDIES UNDER THE CREDIT AGREEMENT, AS AMENDED, OR OTHER LOAN DOCUMENTS, AS AMENDED, AND NEGOTIATION FOR AND EXECUTION OF THIS AMENDMENT (COLLECTIVELY, THE "RELEASED CLAIMS"). **WITHOUT LIMITING ANY PROVISION OF THIS AMENDMENT OR ANY OTHER LOAN DOCUMENT, IT IS THE EXPRESS INTENTION OF THE PARTIES HERETO THAT THE RELEASED CLAIMS INCLUDE ALL POSSIBLE CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, COSTS, EXPENSES, AND LIABILITIES WHATSOEVER (INCLUDING ATTORNEYS' FEES) ARISING OUT OF OR RESULTING FROM THE SOLE CONTRIBUTORY OR ORDINARY NEGLIGENCE OF THE RELEASED PARTIES (OR ANY OF THEM).**

Section 7.05. Severability. Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable in such jurisdiction.

Section 7.06. APPLICABLE LAW. THIS AMENDMENT AND, EXCEPT AS OTHERWISE SET FORTH THERIN, THE OTHER LOAN DOCUMENTS SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE; PROVIDED THAT THE LENDER SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

Section 7.07. Successors and Assigns. This Amendment is binding upon and shall inure to the benefit of the Administrative Agent, the Lenders, the Borrower, and their respective successors and assigns, except Borrower may not assign or transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent.

Section 7.08. Counterparts; Facsimiles. This Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument. Delivery of an executed counterpart of this Amendment by facsimile or portable document format (pdf) shall be equally as effective as delivery of an executed original counterpart and shall constitute a covenant to deliver an executed original counterpart, but the failure to do so shall not affect the validity, enforceability and binding effect of this Amendment.

Section 7.09. Further Assurances. Borrower shall execute and deliver, or cause to be executed and delivered, to the Administrative Agent such documents and agreements, and shall take or cause to be taken such actions as the Administrative Agent may, from time to time, reasonably request to carry out the terms of this Amendment and the other Loan Documents.

Section 7.10. Headings. The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

Section 7.11. ENTIRE AGREEMENT. THIS AMENDMENT, THE CREDIT AGREEMENT, THE NOTES, AND THE OTHER LOAN DOCUMENTS, EACH AS AMENDED, REPRESENT THE ENTIRE AGREEMENT AMONG THE PARTIES RELATED TO THE SUBJECT MATTER HEREOF AND THEREOF AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 7.12. Amendment as a Loan Document. This Amendment constitutes a Loan Document and any failure of the Borrower to comply with the terms and conditions of this Amendment shall result in an Event of Default under the Credit Agreement and the other Loan Documents.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed this Amendment to be effective as of the date first written above.

ADMINISTRATIVE AGENT:

TEXAS CAPITAL BANK, NATIONAL ASSOCIATION

By: /s/ DEBORAH T. PURVIN
Deborah T. Purvin, Senior Vice President

BORROWER:

FOUNDATION HEALTHCARE, INC.

By: /s/ STANTON M. NELSON
Stanton M. Nelson, CEO

LENDER:

TEXAS CAPITAL BANK, NATIONAL ASSOCIATION

By: /s/ DEBORAH T. PURVIN
Deborah T. Purvin, Senior Vice President

LENDER:

LEGACYTEXAS BANK

By: /s/ SPENCER STOCKWELL
Spencer Sockwell, Corporate Heathcare Banking -- Manager

LENDER:

INTRUST BANK, NATIONAL ASSOCIATION

By: /s/ ROGER G. EASTWOOD

Roger G. Eastwood, Division Director, Complex Credits

Exhibit 31.1

CERTIFICATION

I, Stanton Nelson, certify that:

1. I have reviewed this Form 10-Q for the period ended March 31, 2016 of Foundation Healthcare, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, was made known to us by others within those entities, particularly during the period in which this report was being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 16, 2016

/S/ STANTON NELSON
Stanton Nelson
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Hubert King, certify that:

1. I have reviewed this Form 10-Q for the period ended March 31, 2016 of Foundation Healthcare, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, was made known to us by others within those entities, particularly during the period in which this report was being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 16, 2016

/S/ HUBERT KING
Hubert King
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), I, the undersigned Chief Executive Officer of Foundation Healthcare, Inc. (the "Company"), hereby certify that, to the best of my knowledge, the Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2016 (the "Quarterly Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 16, 2016

/S/ STANTON NELSON
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), I, the undersigned Chief Financial Officer of Foundation Healthcare, Inc. (the "Company"), hereby certify that, to the best of my knowledge, the Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2016 (the "Quarterly Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 16, 2016

/S/ HUBERT KING
Chief Financial Officer
(Principal Financial and Accounting Officer)

Document and Entity Information - shares	3 Months Ended Mar. 31, 2016	May. 16, 2016
Document And Entity Information [Abstract]		
Document Type	10-Q	
Amendment Flag	false	
Document Period End Date	Mar. 31, 2016	
Document Fiscal Year Focus	2016	
Document Fiscal Period Focus	Q1	
Trading Symbol	FDNH	
Entity Registrant Name	FOUNDATION HEALTHCARE, INC.	
Entity Central Index Key	0001272597	
Current Fiscal Year End Date	--12-31	
Entity Filer Category	Smaller Reporting Company	
Entity Common Stock, Shares Outstanding		18,077,894

Condensed Consolidated Balance Sheets (Unaudited) - USD ($)	Mar. 31, 2016	Dec. 31, 2015
ASSETS		
Cash	$ 2,900,261	$ 5,062,492
Accounts receivable, net of allowance for doubtful accounts of $3,663,000 and $6,062,000, respectively	32,457,857	30,383,942
Receivables from affiliates	680,321	509,886
Supplies inventories	4,584,636	3,737,901
Prepaid and other current assets	7,433,688	3,325,330
Current assets from discontinued operations	417,884	416,390
Total current assets	48,474,647	43,435,941
Property and equipment, net	51,853,537	53,515,123
Equity method investments in affiliates	3,127,871	3,012,631
Deferred tax asset	2,036,290	836,290
Intangible assets, net	10,389,354	7,022,170
Goodwill	7,601,809	10,423,858
Other assets	580,580	1,016,093
Other assets from discontinued operations		8,713
Total assets	124,064,088	119,270,819
Liabilities:		
Accounts payable	13,342,753	9,060,060
Accrued liabilities	15,265,666	12,877,711
Preferred noncontrolling interests dividends payable	156,171	157,888
Short-term debt	804,201	308,769
Current portion of long-term debt	4,733,276	4,601,320
Current portion of capital lease obligations	4,319,280	4,478,968
Other current liabilities	495,420	590,827
Current liabilities from discontinued operations	2,358,887	2,356,165
Total current liabilities	41,475,654	34,431,708
Long-term debt, net of current portion	42,429,542	41,529,277
Long-term capital lease obligations, net of current portion	28,541,990	29,130,693
Deferred lease incentive	7,463,915	7,672,745
Other liabilities	6,752,339	6,479,181
Total liabilities	126,663,440	119,243,604
Preferred noncontrolling interest	$ 6,960,000	$ 6,960,000
Commitments and contingencies (Note 10)		
Foundation Healthcare shareholders' deficit:		
Preferred stock $0.0001 par value, 10,000,000 authorized; no shares issued and outstanding		
Common stock $0.0001 par value, 500,000,000 shares authorized; 17,375,394 and 17,303,180 issued and outstanding, respectively	$ 1,737	$ 1,730
Paid-in capital	20,633,155	20,885,915
Accumulated deficit	(34,613,019)	(32,074,090)

Total Foundation Healthcare shareholders' deficit	(13,978,127)	(11,186,445)
Noncontrolling interests	4,418,775	4,253,660
Total deficit	(9,559,352)	(6,932,785)
Total liabilities, preferred noncontrolling interest and shareholders' deficit	$ 124,064,088	$ 119,270,819

Condensed Consolidated Balance Sheets (Unaudited) (Parenthetical) - USD ($)	Mar. 31, 2016	Dec. 31, 2015
Statement Of Financial Position [Abstract]		
Accounts receivable, allowances for doubtful accounts	$ 3,663,000	$ 6,062,000
Preferred stock, par value	$ 0.0001	$ 0.0001
Preferred stock, shares authorized	10,000,000	10,000,000
Preferred stock, shares issued	0	0
Preferred stock, shares outstanding	0	0
Common stock, par value	$ 0.0001	$ 0.0001
Common stock, shares authorized	500,000,000	500,000,000
Common stock, shares issued	17,375,394	17,303,180
Common stock, shares outstanding	17,375,394	17,303,180

Condensed Consolidated Statements of Operations (Unaudited) - USD ($)	3 Months Ended Mar. 31, 2016	Mar. 31, 2015
Net Revenues:		
Patient services	$ 38,436,243	$ 27,937,898
Provision for doubtful accounts	(1,921,985)	(421,024)
Net patient services revenue	36,514,258	27,516,874
Management fees from affiliates	913,033	1,249,322
Other revenue	1,209,787	775,954
Revenues	38,637,078	29,542,150
Equity in earnings of affiliates	389,370	438,909
Operating Expenses:		
Salaries and benefits	13,742,548	7,739,863
Supplies	7,622,763	6,069,661
Other operating expenses	16,792,797	14,083,477
Depreciation and amortization	2,748,862	1,381,507
Total operating expenses	40,906,970	29,274,508
Other Income (Expense):		
Interest expense, net	(1,191,946)	(326,066)
Other income	229,565	17,349
Net other (expense)	(962,381)	(308,717)
Income (loss) from continuing operations, before taxes	(2,842,903)	397,834
Benefit (provision) for income taxes	1,200,000	
Income (loss) from continuing operations, net of taxes	(1,642,903)	397,834
Loss from discontinued operations, net of tax	(11,761)	(113,588)
Net income (loss)	(1,654,664)	284,246
Less: Net income attributable to noncontrolling interests	728,095	1,420,894
Net loss attributable to Foundation Healthcare	(2,382,759)	(1,136,648)
Preferred noncontrolling interests dividends	(157,887)	(195,215)
Net loss attributable to Foundation Healthcare common stock	$ (2,540,646)	$ (1,331,863)
Earnings per common share (basic and diluted):		
Net loss attributable to continuing operations attributable to Foundation Healthcare common stock	$ (0.15)	$ (0.07)
Loss from discontinued operations, net of tax	0.00	(0.01)
Net loss per share, attributable to Foundation Healthcare common stock	$ (0.15)	$ (0.08)
Weighted average number of common and diluted shares outstanding	17,311,947	17,256,347

Condensed Consolidated Statements of Cash Flows (Unaudited) - USD ($)	3 Months Ended Mar. 31, 2016	Mar. 31, 2015
Operating activities:		
Net income (loss)	$ (1,654,664)	$ 284,246
Less: Loss from discontinued operations, net of tax	(11,761)	(113,588)
Income (loss) from continuing operations, net of tax	(1,642,903)	397,834
Adjustments to reconcile income (loss) from continuing operations, net of tax, to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,748,862	1,381,507
Deferred tax asset	(1,200,000)	
Stock-based compensation, net of cashless vesting	(252,753)	118,954
Provision for doubtful accounts	1,921,985	421,024
Equity in earnings of affiliates	(389,370)	(438,909)
Changes in assets and liabilities, net of acquisition:		
Accounts receivable, net of provision for doubtful accounts	(3,995,900)	(137,980)
Receivables from affiliates	(170,435)	(9,270)
Supplies inventories	(846,735)	(127,251)
Prepaid and other current assets	(4,108,358)	403,965
Other assets	60,703	(115,625)
Accounts payable	4,247,783	112,451
Accrued liabilities	2,390,643	(1,158,316)
Other current liabilities	(95,407)	(29,772)
Other liabilities	64,328	103,653
Net cash provided by (used in) operating activities from continuing operations	(1,267,557)	922,265
Net cash used in operating activities from discontinued operations	(1,820)	(38,625)
Net cash provided by (used in) operating activities	(1,269,377)	883,640
Investing activities:		
Purchase of property and equipment	(1,225,379)	(282,187)
Disposal of property and equipment		98,414
Distributions from affiliates	274,130	743,952
Net cash provided by (used in) investing activities from continuing operations	(951,249)	560,179
Net cash provided by (used in) investing activities	(951,249)	560,179
Financing activities:		
Debt proceeds	2,201,863	1,750,391
Debt payments	(1,422,601)	(1,352,324)
Preferred noncontrolling interest dividends	(157,888)	(197,359)
Distributions to noncontrolling interests	(562,979)	(965,000)
Net cash provided by (used in) financing activities from continuing operations	58,395	(764,292)
Net cash provided by (used in) financing activities	58,395	(764,292)
Net change in cash	(2,162,231)	679,527
Cash at beginning of period	5,062,492	2,860,025
Cash at end of period	2,900,261	3,539,552

Cash Paid for Interest and Income Taxes:

Interest expense	$ 1,191,946	$ 534,000

Nature of Business	3 Months Ended Mar. 31, 2016
Accounting Policies [Abstract]	
Nature of Business	Note 1 – Nature of Business Foundation Healthcare, Inc. (the “Company”) is organized under the laws of the state of Oklahoma and owns controlling and noncontrolling interests in surgical hospitals located in Oklahoma and Texas. The Company also owns noncontrolling interests in ambulatory surgery centers (“ASCs”) located in Texas, Pennsylvania, New Jersey, Ohio, and Maryland. The Company provides management services to a majority of the facilities that it has noncontrolling interests (referred to as “Affiliates”) under the terms of various management agreements.

Summary of Significant Accounting Policies	3 Months Ended Mar. 31, 2016

Accounting Policies [Abstract]

Summary of Significant Accounting Policies

Note 2 – Summary of Significant Accounting Policies

For a complete list of the Company's significant accounting policies, please see the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Interim Financial Information – The condensed consolidated financial statements included herein are unaudited and have been prepared in accordance with generally accepted accounting principles for interim financial statements and in accordance with Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2016 are not necessarily indicative of results that may be expected for the year ended December 31, 2016. The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-K for the year ended December 31, 2015. The December 31, 2015 consolidated balance sheet was derived from audited financial statements.

Consolidation – The accompanying consolidated financial statements include the accounts of the Company and its wholly owned, majority owned and controlled subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

The Company accounts for its investments in Affiliates in which the Company exhibits significant influence, but does not control, in accordance with the equity method of accounting. The Company does not consolidate its equity method investments, but rather measures them at their initial costs and then subsequently adjusts their carrying values through income for their respective shares of the earnings or losses during the period. The Company monitors its investments for other-than-temporary impairment by considering factors such as current economic and market conditions and the operating performance of the companies and records reductions in carrying values when necessary.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management of the Company to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications – Certain amounts presented in prior years have been reclassified to conform to the current year's presentation. Such reclassifications had no effect on net income.

Revenue recognition and accounts receivable – The Company recognizes revenues in the period in which services are performed and billed. Accounts receivable primarily consist of amounts due from third-party payors and patients. The Company's ability to collect outstanding receivables is critical to its results of operations and cash flows. Amounts the Company receives for treatment of patients covered by governmental programs such as Medicare and Medicaid and other third-party payors such as health maintenance organizations, preferred provider organizations and other private insurers are generally less than the Company's established billing rates. Additionally, to provide for accounts receivable that could become uncollectible in the future, the Company establishes an allowance for doubtful accounts to reduce the carrying value of such receivables to their estimated net realizable value. Accordingly, the revenues and accounts receivable reported in the Company's consolidated financial statements are recorded at the net amount expected to be received.

Contractual Discounts and Cost Report Settlements **–** The Company derives a significant portion of its revenues from Medicare, Medicaid and other payors that receive discounts from its established billing rates. The Company must estimate the total amount of these discounts to prepare its consolidated financial statements. The Medicare and Medicaid regulations and various managed care contracts under which these discounts must be calculated are complex and are subject to interpretation and adjustment. The Company estimates the allowance for contractual discounts on a payor-specific basis given its interpretation of the applicable regulations or contract terms. These interpretations sometimes result in payments that differ from the Company's estimates. Additionally, updated regulations and contract renegotiations occur frequently, necessitating regular review and assessment of the estimation process by management. Changes in estimates related to the allowance for contractual discounts affect revenues reported in the Company's accompanying consolidated statements of operations.

Cost report settlements under reimbursement agreements with Medicare, Medicaid and Tricare are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined. There is a reasonable possibility that recorded estimates will change by a material amount in the near term. The estimated net cost report settlements due to the Company were $2,112,000 and $500,000 as of March 31, 2016 and December 31, 2015 respectively, and are included in prepaid and other current assets in the accompanying consolidated balance sheets. We increased our cost report estimate by $1,612,000 during the three months ended March 31, 2016 based on settlements from our final filed cost report for 2014 and an estimate of the 2015 cost report. The Company's management believes that adequate provisions have been made for adjustments that may result from final determination of amounts earned under these programs.

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on the Company's financial statements. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

Provision and Allowance for Doubtful Accounts – To provide for accounts receivable that could become uncollectible in the future, the Company establishes an allowance for doubtful accounts to reduce the carrying value of such receivables to their estimated net realizable value. The primary uncertainty lies with uninsured patient receivables and deductibles, co-payments or other amounts due from individual patients.

The Company has an established process to determine the adequacy of the allowance for doubtful accounts that relies on a number of analytical tools and benchmarks to arrive at a reasonable allowance. No single statistic or measurement determines the adequacy of the allowance for doubtful accounts. Some of the analytical tools that the Company utilizes include, but are not limited to, the aging of accounts receivable, historical cash collection experience, revenue trends by payor classification, revenue days in accounts receivable, the status of claims submitted to third party payors, reason codes for declined claims and an assessment of the Company's ability to address the issue and resubmit the claim and whether a patient is on a payment plan and making payments consistent with that plan. Accounts receivable are written off after collection efforts have been followed in accordance with the Company's policies.

Due to the nature of the healthcare industry and the reimbursement environment in which the Company operates, certain estimates are required to record net revenues and accounts receivable at their net realizable values at the time products or services are provided. Inherent in these estimates is the risk that they will have to be revised or updated as additional information becomes available, which could have a material impact on the Company's operating results and cash flows in subsequent periods. Specifically, the complexity of many third-party billing arrangements and the uncertainty of reimbursement amounts for certain services from certain payors may result in adjustments to amounts originally recorded.

The patient and their third party insurance provider typically share in the payment for the Company's products and services. The amount patients are responsible for includes co-payments, deductibles, and amounts not covered due to the provider being out-of-network. Due to uncertainties surrounding deductible levels and the number of out-of-network patients, the Company is not certain of the full amount of patient responsibility at the time of service. The Company estimates amounts due from patients prior to service and generally collects those amounts prior to service. Remaining amounts due from patients are then billed following completion of service.

The activity in the allowance for doubtful accounts for the three months ending March 31, 2016 follows:

	2016
Balance at beginning of period	$ 6,062,000
Provisions recognized as reduction in revenues	1,921,985
Write-offs, net of recoveries	(4,320,985)
Balance at end of period	$ 3,663,000

Cash and cash equivalents – The Company considers all highly liquid temporary cash investments with an original maturity of three months or less to be cash equivalents. Certificates of deposit with original maturities of more than three months are also considered cash equivalents if there are no restrictions on withdrawing funds from the account.

Restricted Cash – As of March 31, 2016 and December 31, 2015, the Company had restricted cash of approximately $0.1 million and $0.2 million respectively, included in cash in the accompanying consolidated balance sheets. The restricted cash is pledged as collateral against certain debt of the Company.

Goodwill and Intangible Assets – The Company evaluates goodwill for impairment at least on an annual basis and more frequently if certain indicators are encountered. Goodwill is to be tested at the reporting unit level, defined as an ASC or hospital (referred to as a component), with the fair value of the reporting unit being compared to its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired. The Company will complete its annual impairment test in December 2016.

Intangible assets other than goodwill which include physician membership interests, service contracts and covenants not to compete are amortized over their estimated useful lives using the straight line method. The remaining lives range from two to twenty years. The Company evaluates the recoverability of identifiable intangible asset whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable.

Net income (loss) per share – Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted income (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted during the period. Dilutive securities having an anti-dilutive effect on diluted loss per share are excluded from the calculation.

Recently Adopted and Recently Issued Accounting Guidance

Adopted Guidance

In January 2015, the FASB issued changes to the presentation of extraordinary items. Such items are defined as transactions or events that are both unusual in nature and infrequent in occurrence, and, currently, are required to be presented separately in an entity's income statement, net of income tax, after income from continuing operations. The changes eliminate the concept of an extraordinary item and, therefore, the presentation of such items will no longer be required. Notwithstanding this change, an entity will still be required to present and disclose a transaction or event that is both unusual in nature and infrequent in occurrence in the notes to the financial statements. The Company adopted these changes on January 1, 2016. The adoption of these changes had no impact on the Company's consolidated financial statements.

In February 2015, the FASB issued changes to the analysis that an entity must perform to determine whether it should consolidate certain types of legal entities. These changes (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, (ii) eliminate the presumption that a general partner should consolidate a limited partnership, (iii) affect the consolidation analysis of reporting entities that are involved with variable interest entities, particularly those that have fee arrangements and related party relationships, and (iv) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The Company adopted these changes on January 1, 2016. The adoption of these changes had no impact on the Company's consolidated financial statements.

In April 2015, the FASB issued changes to the presentation of debt issuance costs. Currently, such costs are required to be presented as a noncurrent asset in an entity's balance sheet and amortized into interest expense over the term of the related debt instrument. The changes require that debt issuance costs be presented in an entity's balance sheet as a direct deduction from the carrying value of the related debt liability. The amortization of debt issuance costs remains unchanged. The Company adopted these changes on January 1, 2016. The adoption of these changes resulted in a decrease of approximately $612,000, to other assets and long-term debt, net of current portion, respectively, debt included in the accompanying consolidated balance sheet.

In August 2014, the FASB issued changes to the disclosure of uncertainties about an entity's ability to continue as a going concern. Under GAAP, continuation of a reporting entity as a going concern is presumed as the basis for preparing financial statements unless and until the entity's liquidation becomes imminent. Even if an entity's liquidation is not imminent, there may be conditions or events that raise substantial doubt about the entity's ability to continue as a going concern. Because there is no guidance in GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern or to provide related note disclosures, there is diversity in practice with respect to whether, when, and how an entity discloses the relevant conditions and events in its financial statements. As a result, these changes require an entity's management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that financial statements are issued. Substantial doubt is defined as an indication that it is probable that an entity will be unable to meet its obligations as they become due within one year after the date that financial statements are issued. If management has concluded that substantial doubt exists, then the following disclosures should be made in the financial statements: (i) principal conditions or events that raised the substantial doubt, (ii) management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations, (iii) management's plans that alleviated the initial substantial doubt or, if substantial doubt was not alleviated, management's plans that are intended to at least mitigate the conditions or events that raise substantial doubt, and (iv) if the latter in (iii) is disclosed, an explicit statement that there is substantial doubt about the entity's ability to continue as a going concern. The Company adopted these changes on January 1, 2016. The adoption of these changes had no impact on the Company's consolidated financial statements. This guidance will need to be applied by management at the end of each annual period and interim period therein to determine what, if any, impact there will be on the consolidated financial statements in a given reporting period.

In September 2015, the FASB issued changes to the accounting for business combinations simplifying the accounting for measurement period Adjustments. The update eliminates the requirement for an acquirer to retrospectively adjust its financial statements for changes to provisional amounts that are identified during the measurement-period following the consummation of a business combination. Instead, the update requires these types of adjustments to be made during the reporting period in which they are identified and would require additional disclosure or separate presentation of the portion of the adjustment that would have been recorded in the previously reported periods as if the adjustment to the provisional amounts had been recognized as of the acquisition date. The Company adopted these changes on January 1, 2016. The adoption of these changes had no impact on the Company's consolidated financial statements.

Issued Guidance

In July 2015, the FASB issued changes to the subsequent measurement of inventory. Currently, an entity is required to measure its inventory at the lower of cost or market, whereby market can be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. The changes require that inventory be measured at the lower of cost and net realizable value, thereby eliminating the use of the other two market methodologies. Net realizable value is defined as the estimated selling prices in the ordinary course of business less reasonably predictable costs of completion, disposal, and transportation. These changes do not apply to inventories measured using LIFO (last-in, first-out) or the retail inventory method. Currently, the Company applies the net realizable value market option to measure its inventories at the lower of cost or market. These changes become effective for the Company on January 1, 2017. Management has determined that the adoption of these changes will not have an impact on the Company's consolidated financial statements.

In May 2014, the FASB issued changes to the recognition of revenue from contracts with customers. These changes created a comprehensive framework for all entities in all industries to apply in the determination of when to recognize revenue, and, therefore, supersede virtually all existing revenue recognition requirements and guidance. This framework is expected to result in less complex guidance in application while providing a consistent and comparable methodology for revenue recognition. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract(s), (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract(s), and (v) recognize revenue when, or as, the entity satisfies a performance obligation. These changes become effective for the Company on January 1, 2018. Management is currently evaluating the potential impact of these changes on the Company's consolidated financial statements.

In February 2016, the FASB issued changes to the accounting for leases, which requires an entity that leases assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 and must be adopted using a modified retrospective approach. Management is currently evaluating the impact of this update on the consolidated financial statements.

In March 2016, the FASB issued changes to employee share-based payment accounting, which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification on the statement of cash flows. For public companies, the new guidance is effective for annual reporting periods (including interim periods within those periods) beginning after December 15, 2016, with early adoption permitted. The Company is in the process of evaluating the impact of adoption of this guidance on its financial statements.

Acquisition	3 Months Ended Mar. 31, 2016

Business Combinations [Abstract]

Acquisition

Note 3 – Acquisition

On December 31, 2015, the Company closed the acquisition comprising substantially all of the hospital assets and hospital operating entity of University General Health Systems, Inc. ("UGHS"), consisting primarily of a sixty-nine bed acute care hospital located in the Medical City area of Houston, Texas (referred to as University General Hospital, LP or "UGH" and collectively referred to as the "Acquisition"). Subsequent to the Acquisition, UGH is being operated as Foundation Surgical Hospital of Houston.

The acquisition of UGH was based on management's belief that UGH fits into the Company's acquisition and development strategy and operating model that enables the Company to grow by taking advantage of highly-fragmented markets, an increasing demand for short stay surgery and a need by physicians to forge strategic alliances to meet the needs of the evolving healthcare landscape while also shaping the clinical environments in which they practice. The Company expects the acquisition of UGH will generate positive earnings and cash flow that will be accretive to the earnings and cash flow of the Company. The Company expects the goodwill attributable to UGH to be tax deductible.

The Company paid $25.1 million in cash for the net assets acquired from UGHS.

The fair value amounts have been initially recorded using preliminary estimates. The Company has engaged a third-party valuation company to complete a valuation of the fair value of the assets acquired and liabilities assumed in the acquisition. A portion of the valuation was completed in March 2016 and management believes the valuation will be fully completed by June 30, 2016. The preliminary estimates will be revised in future periods and the revisions may materially affect the presentation of the Company's consolidated financial results. Any changes to the initial estimates of the fair value of the assets and liabilities will be recorded as adjustments to those assets and liabilities and residual amounts will be allocated to goodwill. The preliminary purchase allocations for the Acquisition are as follows:

	Preliminary	Adjustments	Adjusted
Accounts receivable	$ 7,229,000	$ —	$ 7,229,000
Supplies inventories	1,689,000	—	1,689,000
Other current assets	395,000	—	395,000
Total current assets	9,313,000	—	9,313,000
Property and equipment	40,363,000	(733,000)	39,630,000
Other assets	307,000	—	307,000
Intangible, net	—	3,930,000	3,930,000
Goodwill	9,450,000	(2,822,000)	6,628,000
Total assets acquired	59,433,000	375,000	59,808,000
Liabilities assumed:			
Accounts payable and accrued liabilities	1,589,000	375,000	1,964,000
Current portion of long-term debt and capital lease obligations	4,740,000	—	4,740,000
Total current liabilities	6,329,000	375,000	6,704,000
Long-term debt and capital lease obligations, net of current portion	28,004,000	—	28,004,000
Total liabilities assumed	34,333,000	375,000	34,708,000
Net assets acquired	$25,100,000	$ —	$25,100,000

During the three months ended March 31, 2016, the Company incurred approximately $167,000 in expenses related to the Acquisition. The expenses incurred related primarily to legal fees related to the purchase agreement and structure of the transaction and professional fees related to the audits of the 2015 and 2014 financial statements of UGH.

Since the Acquisition occurred on December 31, 2015, there are no acquisition revenues and earnings included in the Company's consolidated statements of operations for the year ended December 31, 2015. The revenue and earnings of the combined entity had the Acquisition date been January 1, 2015 are as follows:

				Attributable to Foundation HealthCare common stock	
	Revenue	Loss From Continuing Operations	Net Income (Loss)	Net Loss	Net Loss Per Share
Actual:					
From 1/1/2016 to 3/31/2016	$ 38,637,000	$(2,843,000)	$(2,855,000)	$(3,741,000)	$(0.22)
Supplemental Pro Forma:					
From 1/1/2015 to 12/31/2015	$180,144,000	$ (69,000)	$ 6,662,000	$ (690,000)	$(0.04)

The pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisition been consummated as of that time, nor is it intended to be a projection of future results.

Divestitures	3 Months Ended Mar. 31, 2016
Divestitures [Abstract]	
Divestitures	Note 4 – Divestitures On July 15, 2015, we sold our 10% interest in the Kirby Glen Surgery, LLC, one of our Equity Owned ASCs located in Houston, Texas. We received $0.2 million in combined proceeds for the sale of the equity interest and termination of our management agreement. On June 12, 2015, the Company executed an agreement pursuant to which the Company sold a portion of its 20% equity investment in Grayson County Physician Property, LLC (“GCPP”) through a series of transactions. In conjunction with the sale, the management agreement under which the Company provided certain services including billing and collections, general management services, legal support, and accounting services was terminated. The Company’s decision to sell the assets of GCPP was part of the Company’s strategic plan to focus on the growth of its majority owned surgical hospital businesses. The Company received $7.8 million of proceeds as a result of the sale and $0.5 million for the termination of the management agreement. The Company used $7.0 million of these proceeds to reduce the Company’s principal balance of the note held by the Company’s senior lender. The remainder of the proceeds will be used for working capital needs and possible future acquisitions. See Note 5 – Discontinued Operations for additional information. On March 31, 2015, Houston Orthopedic Surgical Hospital, L.L.C. (“HOSH”), our Equity Owned hospital in Houston, Texas, sold substantially all of its assets under an asset purchase agreement. Given that the Company does not exhibit control with the 20% investment in HOSH, the Company accounts for the investment on a cost or cash basis. As a result of the HOSH sale, the Company received a distribution on May 12, 2015 $1.8 million, of which $0.6 million is being held in escrow until October 2016.

Discontinued Operations	3 Months Ended Mar. 31, 2016
Discontinued Operations And Disposal Groups [Abstract]	
Discontinued Operations	Note 5 – Discontinued Operations

Note 5 – Discontinued Operations

The partial sale of GCPP in June 2015 was part of the Company's strategic plan to focus on majority owned investments. As a result, the proceeds from the sale, the remaining equity ownership, and the results of operations and cash flows related to the equity investment in GCPP for all periods presented have been classified as discontinued operations. Therefore, the Company reclassified $0.1 million from equity in earnings from affiliates to income from discontinued operations, net of tax, for the three months ending March 31, 2016 and 2015, respectively.

The operating results for the Company's discontinued operations for the three months ended March 31, 2016 and 2015 are summarized below:

	2016	2015
Revenues:		
Equity in earnings of GCCP	$ —	$ (27,510)
Sleep operations	—	—
Total revenues	$ —	$ (27,510)
Net income (loss) before taxes:		
GCCP	$ —	$ (27,510)
Sleep operations	(11,761)	(86,078)
Net income (loss) from discontinued operations, net of tax	$ (11,761)	$ (113,588)

The balance sheet items for the Company's discontinued operations are summarized below:

	March 31, 2016	December 31, 2015
Cash and cash equivalents	$ 6,712	$ 5,219
Other current assets	411,172	411,171
Total current assets	417,884	416,390
Fixed assets, net	—	8,713
Total assets	$ 417,884	$ 425,103
Payables and accrued liabilities	777,553	774,831
Income taxes payable	1,581,334	1,581,334
Total liabilities	$2,358,887	$2,356,165

Equity Investments in Affiliates	**3 Months Ended Mar. 31, 2016**
Investments In And Advances To Affiliates Schedule Of Investments [Abstract]	
Equity Investments in Affiliates	Note 6 – Equity Investments in Affiliates

The Company invests in non-majority interests in its Affiliates. The Company's equity investments and respective ownership interest as of March 31, 2016 and December 31, 2015 are as follows:

Affiliate	Location	Ownership % March 31, 2016	Ownership % December 31, 2015
Surgical Hospitals:			
Grayson County Physicians Property, LLC	Sherman, TX	0%	0%
Houston Orthopedic Hospital, LLC	Houston, TX	0%	0%
Summit Medical Center	Edmond, OK	8%	8%
ASCs:			
Foundation Surgery Affiliate of Nacogdoches, LLP	Nacogdoches, TX	13%	13%
Kirby Glenn Surgery Center	Houston, TX	0%	0%
Park Ten Surgery Center/Physicians West Houston	Houston, TX	10%	10%
Foundation Surgery Affiliate of Middleburg Heights, LLC	Middleburg Heights, OH	10%	10%
Foundation Surgery Affiliate of Huntingdon Valley, LP	Huntingdon Valley, PA	20%	20%
New Jersey Surgery Center, LLC	Mercerville, NJ	10%	10%
Foundation Surgery Affiliate of Northwest Oklahoma City, LLC	Oklahoma City, OK	20%	20%
Cumberland Valley Surgery Center, LLC	Hagerstown, MD	34%	34%
Frederick Surgical Center, LLC	Frederick, MD	20%	20%

The results of operations for the three months ended March 31, 2016 and 2015, of the Company's equity investments in Affiliates are as follows:

	2016	2015
Net operating revenues	$11,744,153	$12,592,974
Net income	$ 3,140,498	$ 3,051,752

The results of financial position as of March 31, 2016 and December 31, 2015, of the Company's equity investments in Affiliates are as follows:

	March 31, 2016	December 31, 2015
Current assets	$10,587,583	$12,371,752
Noncurrent assets	6,038,579	7,699,093
Total assets	$16,626,162	$20,070,845

Current liabilities	$ 4,190,426	$ 4,240,326
Noncurrent liabilities	1,941,097	2,266,793
Total liabilities	$ 6,131,523	$ 6,507,119
Members' equity	$10,494,639	$13,563,726

Goodwill and Other Intangibles	3 Months Ended Mar. 31, 2016
Goodwill And Intangible Assets Disclosure [Abstract]	
Goodwill and Other Intangibles	

Note 7 – Goodwill and Other Intangibles

Changes in the carrying amount of goodwill as follows:

	Gross Amount	Accumulated Impairment Loss	Net Carrying Value
December 31, 2015	$ 32,469,240	$ (22,045,382)	$ 10,423,858
Changes in UGH purchase price allocation	(2,822,049)	—	(2,822,049)
March 31, 2016	$ 29,647,191	$ (22,045,382)	$ 7,601,809

Goodwill and intangible assets with indefinite lives must be tested for impairment at least once a year. Carrying values are compared with fair values, and when the carrying value exceeds the fair value, the carrying value of the impaired asset is reduced to its fair value. The Company tests goodwill for impairment on an annual basis in the fourth quarter or more frequently if management believes indicators of impairment exist. The performance of the test involves a two-step process. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. The Company generally determines the fair value of its reporting units using the income approach methodology of valuation that includes the discounted cash flow method as well as other generally accepted valuation methodologies. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, the Company performs the second step of the goodwill impairment test to determine the amount of impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill.

Changes in the carrying amount of intangible assets during the three months ended March 31, 2016 were as follows:

	Carrying Amount	Accumulated Amortization	Net
December 31, 2015	$ 14,524,500	$ (7,502,330)	$ 7,022,170
Change in UGH purchase price allocation	3,930,000	—	3,930,000
Amortization	—	(562,816)	(562,816)
March 31, 2016	$ 18,454,500	$ (8,065,146)	$ 10,389,354

Intangible assets as of March 31, 2016 and December 31, 2015 include the following:

		March 31, 2016			December 31, 2015
	Useful Life (Years)	Carrying Value	Accumulated Amortization	Net	Net
Management fee contracts	6 - 8	$ 3,498,500	$ (2,713,792)	$ 784,708	$ 893,723

Non-compete	5	2,027,000	(1,357,382)	669,618	771,161
Physician memberships	7	6,468,000	(3,157,000)	3,311,000	3,542,000
Medicare license	20	3,930,000	(47,733)	3,882,267	—
Trade name	5	381,000	(208,034)	172,966	192,379
Service Contracts	10	2,150,000	(581,205)	1,568,795	1,622,907
		$18,454,500	$ (8,065,146)	$10,389,354	$ 7,022,170

Amortization expense for the three months ended March 31, 2016 and 2015 was $562,816 and $514,556, respectively.

Amortization expense for the next five years related to these intangible assets is expected to be as follows:

Twelve months ending March 31,	
2017	$ 2,248,629
2018	2,011,506
2019	1,356,950
2020	944,931
2021	405,931
Thereafter	3,421,406

Borrowings and Capital Lease Obligations	3 Months Ended Mar. 31, 2016
Debt Disclosure [Abstract]	
Borrowings and Capital Lease Obligations	Note 8 – Borrowings and Capital Lease Obligations

The Company's short-term debt obligations are as of March 31, 2016 and December 31, 2015 are as follows:

	Rate (1)	2016	2015
Insurance premium financings	4.8 - 5.0%	$ 804,201	$ 308,769

(1) Effective rate as of March 31, 2016

The Company has various insurance premium financing notes payable that bear interest rates ranging from 4.8% to 5.0%. The insurance notes mature from June 2016 to October 2016 and the Company is required to make monthly principal and interest payments totaling $134,051.

The Company's long-term debt obligations at March 31, 2016 and December 31, 2015 are as follows:

	Rate (1)	Maturity Date	2016	2015
Senior Lender:				
Note payable	4.3%	Dec. 2020	$28,375,000	$28,375,000
Line of credit	4.3%	Dec. 2018	11,500,000	10,500,000
Unamortized loan origination costs			(612,182)	(644,403)
Other Lenders:				
Note payable - subordinated note	3.0%	Dec. 2019	7,900,000	7,900,000
Total			47,162,818	46,130,597
Less: Current portion of long-term debt			(4,733,276)	(4,601,320)
Long-term debt			$42,429,542	$41,529,277

(1) Effective rate as of March 31, 2016

Texas Capital Bank Credit Facility

Effective December 31, 2015, the Company entered into a Credit Agreement (the "TCB Credit Facility") with Texas Capital Bank, National Association ("TCB"). The TCB Credit Facility replaced and consolidates all of the Company's and the Company's subsidiaries' debt in the principal amount of $28.4 million, which is referred to as the Term Loan, and provides for an additional revolving loan in the amount of $12.5 million, which is referred to as the Revolving Loan. The Company has also entered into a number of ancillary agreements in connection with the TCB Credit Facility, including deposit account control agreements, subsidiary guarantees, security agreements and promissory notes.

Maturity Dates. The Term Loan matures on December 30, 2020 and the Revolving Loan matures on December 30, 2018.

Interest Rates. Borrowings under the TCB Credit Facility are made, at the Company's option, as either Base Rate loans or LIBOR loans. "Base Rate" for any day is the highest of (i) the Prime Rate, (ii) the Federal Funds Rate plus one half of one percent (0.5%), and (iii) Adjusted

LIBOR plus one percent (1.00%). LIBOR loans are based on either the one month, two month or three month LIBOR rate at the Company's option. The interest rate is either a Base Rate or LIBOR plus the Applicable Margins based on our Senior Debt to EBITDA Ratio, as defined.

The Applicable Margins are as follows:

Pricing Level	Senior Debt to EBITDA Ratio	Base Rate Portion	LIBOR Portion and Letter of Credit Fee	Commitment Fee
1	< 2.0 : 1.0	2.75%	3.75%	0.375%
2	≥ 2.0 : 1.0 but < 2.5 : 1.0	3.00%	4.00%	0.375%
3	≤ 2.5 : 1.0	3.25%	4.25%	0.375%

The Applicable Margin in effect will be adjusted within 45 days following the end of each quarter based on the Company's Senior Debt to EBITDA ratio. The Senior Debt to EBITDA Ratio is calculated by dividing all of our senior indebtedness (excluding capital lease obligations for Foundation Surgical Hospital of Houston), that is by the Company's EBITDA for the preceding four fiscal quarters. EBITDA is defined in the TCB Credit Facility as the Company's net income *plus* (b) *the sum of* the following: interest expense; income taxes; depreciation; amortization; extraordinary losses determined in accordance with GAAP; cash and noncash stock compensation expense; and other non-recurring expenses reducing such net income which do not represent a cash item in such period or any future period, *minus* (c) *the sum of* the following: income tax credits; extraordinary gains determined in accordance with GAAP; and all non-recurring, non-cash items increasing net income.

Interest and Principal Payments. The Company is required to make quarterly payments of principal and interest on the Term Loan. The first four quarterly payments on the Term Loan will be $1,013,393, on the first day of each April, July, October, and January during the term hereof, commencing April 1, 2016. The Company is required to make quarterly payments on the Revolving Loan equal to the accrued and unpaid interest. All unpaid principal and interest on the Term Loan and Revolving Loan must be paid on the respective maturity dates of each Loan.

Borrowing Base. The Company's ability to borrow money under the Revolving Loan is limited to the Company's Borrowing Base. The Company's Borrowing Base is equal to the *sum of* (i) 80% of the eligible account of Foundation Surgical Hospital of San Antonio, not to exceed the outstanding principal balance of the intercompany note payable by the San Antonio Hospital to the Company, (ii) 80% of the eligible account of Foundation Surgical Hospital of El Paso, not to exceed the outstanding principal balance of the intercompany note payable by the El Paso Hospital to the Company, and (iii) 80% of the eligible account of Foundation Surgical Hospital of Houston, not to exceed the outstanding principal balance of the intercompany note payable by the Houston Hospital to the Company.

Mandatory Prepayments. The Company must make mandatory prepayments of the Term Loans in the following situations, among others:

- The Company must apply 100% of the net proceeds from the sale of worn out and obsolete equipment not necessary or useful for the conduct of the Company's business;
- Commencing with the fiscal year ending December 31, 2016, the Company must apply 50% of our Excess Cash Flow for such fiscal year to the installment payments due on the Company's Term Loan;
- The Company must apply 50% of the net cash proceeds from the issuance of equity interests to the installment payments due on the Company's Term Loan; provided that no prepayment need to be made for the year ended December 31, 2016 once the Company has made mandatory prepayments in excess of $10,000,000;

- The Company must apply 100% of the net cash proceeds from the issuance of debt (other than certain permitted debt) to the prepayment of the Term Loan;
- The Company must prepay 100% of the net cash proceeds paid to the Company other than in the ordinary course of business; and
- The Company must prepay 100% of the net cash proceeds the Company receives from the prepayment of intercompany notes.

Voluntary Prepayments. The Company may prepay amounts under the Term Loan or Revolving Loan at any time provided that the Company is required to pay a prepayment fee of 2% of the amount prepaid if payment is made prior to the first anniversary, 1.5% if the prepayment is made after the first anniversary but prior to the second anniversary and 1% if the prepayment is made after the second anniversary but prior to the third anniversary.

Guaranties. Each of the Company's direct or indirect wholly-owned subsidiaries jointly and severally and unconditionally guaranty payment of the Company's obligations owed to Lenders.

Financial Covenants:

Debt to EBITDA Ratio. As of December 31, 2015, the Company must maintain a Debt to EBITDA Ratio, not in excess of 3.50 to 1.00. Thereafter, the Company must maintain a Debt to EBITDA Ratio as of the last day of any fiscal quarter, not in excess of (a) 3.25 to 1.00 for the fiscal quarters ending December 31, 2015, March 31, 2016, June 30, 2016 and September 30, 2016; (b) 2.75 to 1.00 for the fiscal quarters ending December 31, 2016, March 31, 2017, June 30, 2017 and September 30, 2017; (c) 2.50 to 1.00 for the fiscal quarters ending December 31, 2017, March 31, 2018, June 30, 2018 and September 30, 2018; and (d) 2.25 to 1.00 for the fiscal quarter ending December 31, 2018 and at the end of each fiscal quarter thereafter. As of March 31, 2016, the Company's Debt to EBITDA Ratio was 3.12.

Senior Debt to EBITDA Ratio. As of December 31, 2015, the Company must maintain a Senior Debt to EBITDA Ratio not in excess of 3.00 to 1.00. Thereafter, the Company must maintain a Senior Debt to EBITDA Ratio as of the last day of any fiscal quarter, not in excess of (a) 3.00 to 1.00 for the fiscal quarters ending December 31, 2015, March 31, 2016, June 30, 2016 and September 30, 2016; (b) 2.50 to 1.00 for the fiscal quarters ending December 31, 2016, March 31, 2017, June 30, 2017 and September 30, 2017; (c) 2.25 to 1.00 for the fiscal quarters ending December 31, 2017, March 31, 2018, June 30, 2018 and September 30, 2018; and (d) 2.00 to 1.00 for the fiscal quarter ending December 31, 2018 and at the end of each fiscal quarter thereafter. As of March 31, 2016, the Company's Senior Debt to EBITDA Ratio was 2.69.

Pre-Distribution Fixed Charge Coverage Ratio. The Company must maintain as of the last day of any fiscal quarter a Pre-Distribution Fixed Charge Coverage Ratio in excess of 1.30 to 1.00. As of March 31, 2016, the Company's Pre-Distribution Fixed Charge Coverage Ratio was 1.82.

Post-Distribution Fixed Charge Coverage Ratio. The Company must maintain as of the last day of any fiscal quarter, a Post-Distribution Fixed Charge Coverage Ratio in excess of 1.05 to 1.00. As of March 31, 2016, the Company's Post-Distribution Fixed Charge Coverage Ratio was 1.30.

Capital Expenditures. The Company shall not make capital expenditures in excess of $5,000,000 during any fiscal year.

As of March 31, 2016, the Company is in compliance with all of the TCB Credit Facility financial covenants.

Collateral. Payment and performance of the Company's obligations under the TCB Credit Facility are secured in general by all of the Company and the Company's guarantors' assets.

Negative Covenants. The TCB Credit Facility has restrictive covenants that, among other things, limits or restricts the Company's ability to do the following without the consent of TCB:

- Incur additional indebtedness;
- Create or incur additional liens on the Company's assets;
- Engage in mergers or acquisitions;
- Pay dividends or make any other payment or distribution in respect of the Company's equity interests;
- Make loans and investments;
- Issue equity, except for stock compensation awards to employees;
- Engage in transaction with affiliates;
- Dispose of the Company's assets, except for certain approved assets;
- Engage in any sale and leaseback arrangements; and
- Prepay debt to debtors other than TCB.

Defaults and Remedies. In addition to the general defaults of failure to perform our obligations under the Loan Agreement, events of default also include the occurrence of a change in control, as defined, and the loss of our Medicare or Medicaid certification, collateral casualties, entry of a uninsured judgment of $500,000 or more, failure of first liens on collateral and the termination of any of the Company's management agreements that represent more than 10% of the Company's management fees for the preceding 18 month period. In the event of a monetary default, all of the Company's obligations due under the TCB Credit Facility shall become immediately due and payable. In the event of a non-monetary default, the Company has 10 days or in some cases three days to cure before Texas Capital Bank has the right to declare the Company's obligations due under the TCB Credit Facility immediately due and payable.

At March 31, 2016, future maturities of long-term debt were as follows:

Years ended March 31:	
2017	$ 4,733,276
2018	4,922,350
2019	16,560,781
2020	5,205,713
2021	16,352,880
Thereafter	—

The Company's capital lease obligations as of March 31, 2016 and December 31, 2015 are as follows:

	Rate (1)	Maturity Date	2016	2015
Capital Leases Obligations:				
Building	7.5%	Jul. 2036	24,297,628	24,424,341
Equipment	5.6 - 9.0%	Mar. 2017 - Dec. 2020	8,563,642	9,185,320
Total			32,861,270	33,609,661
Less: Current portion of capital leases			(4,319,280)	(4,478,968)
Capital leases obligations			$28,541,990	$29,130,693

(1) Effective rate as of March 31, 2016

The Company has entered into a capital lease covering the FSH Houston hospital facility, see Note 3 - Acquisition. The capital lease bears an interest at fixed rate of 7.5%. The Company is required to make monthly principal and interest payments under the capital lease totaling $193,611.

The Company has entered into various capital leases that are collateralized by certain computer and medical equipment used by the Company. The capital leases bear interest at fixed rates ranging from 5.6% to 9.0%. The Company is required to monthly principal and interest payments under the capital leases totaling $300,084.

At March 31, 2016, future maturities of capital lease obligations were as follows:

Years ended March 31:	
2017	$ 4,319,280
2018	2,868,010
2019	1,680,296
2020	1,483,071
2021	1,310,455
Thereafter	21,200,158

Preferred Noncontrolling Interests	3 Months Ended Mar. 31, 2016
Noncontrolling Interest [Abstract]	
Preferred Noncontrolling Interests	Note 9 – Preferred Noncontrolling Interests During 2013, the Company's wholly-owned subsidiary, Foundation Health Enterprises, LLC ("FHE") completed a private placement offering of $9,135,000. The offering was comprised of 87 units ("FHE Unit" or "preferred noncontrolling interest"). Each FHE Unit was offered at $105,000 and entitled the purchaser to one (1) Class B membership interest in FHE, valued at $100,000, and 1,000 shares of the Company's common stock, valued at $5,000. The total consideration of $9,135,000 was comprised of $8,700,000 attributable to the preferred noncontrolling interest and $435,000 attributable to the 87,000 shares of the Company's common stock. The FHE Units provide for a cumulative preferred annual return of 9% on the amount allocated to the Class B membership interests. The FHE Units will be redeemed by FHE in four annual installments beginning in July 2014. The FHE Unit holders agreed to defer the first installment payment until March 2015. The first installment was paid on April 1, 2015. The first three installments shall be in the amount of $10,000 per FHE Unit and the fourth installment will be in the amount of the unreturned capital contribution and any undistributed preferred distributions. The FHE Units are convertible at the election of the holder at any time prior to the complete redemption into restricted common shares of the Company at a conversion price of $20.00 per share. Since the FHE Units have a redemption feature and a conversion feature which the Company determined to be substantive, the preferred noncontrolling interests has been recorded at the mezzanine level in the accompanying consolidated balance sheets and the corresponding dividends are recorded as a reduction of accumulated deficit.

Commitments and Contingencies	3 Months Ended Mar. 31, 2016
Commitments And Contingencies Disclosure [Abstract]	
Commitments and Contingencies	Note 10 – Commitments and Contingencies *Legal claims* – The Company is exposed to asserted and unasserted legal claims encountered in the normal course of business, including claims for damages for personal injuries, medical malpractice, breach of contracts, wrongful restriction of or interference with physicians' staff privileges and employment related claims. In certain of these actions, plaintiffs request payment for damages, including punitive damages that may not be covered by insurance. Management believes that the ultimate resolution of these matters will not have a material adverse effect on the operating results or the financial position of the Company. There were no settlement expenses during the three months ended March 31, 2016 and 2015 related to the Company's ongoing unasserted legal claims. *Self-insurance* – Effective January 1, 2014, the Company began using a combination of insurance and self-insurance for employee-related healthcare benefits. The self-insurance liability is determined actuarially, based on the actual claims filed and an estimate of incurred but not reported claims. Self-insurance reserves as of March 31, 2016 and December 31, 2015 were $567,197 and $424,593, respectively, and are included in accrued liabilities in the accompanying consolidated balance sheets.

Fair Value Measurements

3 Months Ended
Mar. 31, 2016

Fair Value Disclosures [Abstract]

Fair Value Measurements

Note 11 – Fair Value Measurements

Fair value is the price that would be received from the sale of an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market in an orderly transaction between market participants. In determining fair value, the accounting standards established a three-level hierarchy that distinguishes between (i) market data obtained or developed from independent sources (i.e., observable data inputs) and (ii) a reporting entity's own data and assumptions that market participants would use in pricing an asset or liability (i.e., unobservable data inputs). Financial assets and financial liabilities measured and reported at fair value are classified in one of the following categories, in order of priority of observability and objectivity of pricing inputs:

- *Level 1* – Fair value based on quoted prices in active markets for identical assets or liabilities.
- *Level 2* – Fair value based on significant directly observable data (other than Level 1 quoted prices) or significant indirectly observable data through corroboration with observable market data. Inputs would normally be (i) quoted prices in active markets for similar assets or liabilities, (ii) quoted prices in inactive markets for identical or similar assets or liabilities or (iii) information derived from or corroborated by observable market data.
- *Level 3* – Fair value based on prices or valuation techniques that require significant unobservable data inputs. Inputs would normally be a reporting entity's own data and judgments about assumptions that market participants would use in pricing the asset or liability.

The fair value measurement level for an asset or liability is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

Recurring Fair Value Measurements: The carrying value of the Company's financial assets and financial liabilities is their cost, which may differ from fair value. The carrying value of cash held as demand deposits, money market and certificates of deposit, accounts receivable, short-term borrowings, accounts payable and accrued liabilities approximated their fair value. At March 31, 2016, the fair value of the Company's long-term debt, including the current portion was determined to be approximately equal to its carrying value.

Nonrecurring Fair Value Measurements: During 2015, the Company completed the University General Hospital, LP acquisition; see Note 3 – Acquisition for additional information. The assets acquired and liabilities assumed in the acquisition were recorded at their fair values on the date of the acquisition. For the acquisition, the nonrecurring fair value measurements were developed using significant unobservable inputs (Level 3) using discounted cash flow calculations based upon the Company's weighted average cost of capital and third-party valuation services. Assumptions used were similar to those that would be used by market participants performing valuations of these business units and were based on analysis of current and expected future economic conditions and the updated strategic plan for each business unit. The assets acquired were valued at $59,808,000 and the liabilities assumed were $34,708,000.

Related Party Transactions	3 Months Ended Mar. 31, 2016
Related Party Transactions [Abstract]	
Related Party Transactions	Note 12 – Related Party Transactions Effective June 1, 2014, the Company's hospital subsidiary located in El Paso, Texas entered into a sublease agreement with The New Sleep Lab International, Ltd., referred to as New Sleep. New Sleep is controlled by Dr. Robert Moreno, one of our Directors. The sublease with New Sleep calls for monthly rent payments of $8,767 and the sublease expires on November 30, 2018. The space subleased from New Sleep will be sublet to physician partners and casual uses of our hospital and is located in a building that also houses one of our imaging facilities. During the three months ended March 31, 2016, the Company incurred approximately $23,600 in lease expense under the terms of the lease. As of March 31, 2016, the Company had $0.1 million on deposit at Valliance Bank. Valliance Bank is controlled by Mr. Roy T. Oliver, one of our greater than 5% shareholders. A noncontrolling interest in Valliance Bank is held by Mr. Joseph Harroz, Jr., a director of the Company. Mr. Stanton Nelson, the Company's Chief Executive Officer and Mr. Harroz also serve as directors of Valliance Bank. The Company has entered into agreements with certain of its Affiliate ASCs and hospitals to provide management services. As compensation for these services, the surgery centers and hospitals are charged management fees which are either fixed or are based on a percentage of the Affiliates cash collected or the Affiliates net revenue. The percentages range from 2.25% to 6.0%.

Subsequent Events	3 Months Ended Mar. 31, 2016
Subsequent Events [Abstract]	
Subsequent Events	Note 13 – Subsequent Events Management evaluated all activity of the Company and concluded that no material subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements, except for the following: On May 11, 2016, the Company acquired 51% of the outstanding membership interests of Ninety Nine Healthcare Management, LLC ("99 Management"). 99 Management is a healthcare management located in Dallas, Texas. Management believes the purchase of 99 Management will allow the Company to provide practice management services for the Company's physician partners. The Company paid $440,000 in cash and issued 700,000 shares of Company common stock for the purchase of the membership interests in 99 Management. The Company will issue an additional 200,000 shares of Company common stock upon the execution by 99 Management of a signed contract between 99 Management and Blue Cross/Blue Shield of Texas for a narrow network program covering the Houston, Texas market. On May 11, 2016, the Company entered into a Loan Modification Agreement and Waiver with TCB ("TCB Modification"). Under the TCB Modification, the Company's Revolving Loan under the TCB Credit Facility was increased from $12.5 million to $15.5 million. The $3.0 million of borrowing represents a temporary advance that must be repaid by July 31, 2016. In addition, TCB consented to the sale of certain Company assets and waived certain technical defaults in the TCB Credit Facility related to timing deadlines for certain financial information provided by the Company to TCB related to the UGH Acquisition.

Summary of Significant Accounting Policies (Policies)	3 Months Ended Mar. 31, 2016
Accounting Policies [Abstract]	
Interim Financial Information	*Interim Financial Information* – The condensed consolidated financial statements included herein are unaudited and have been prepared in accordance with generally accepted accounting principles for interim financial statements and in accordance with Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America (“GAAP”) for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2016 are not necessarily indicative of results that may be expected for the year ended December 31, 2016. The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Form 10-K for the year ended December 31, 2015. The December 31, 2015 consolidated balance sheet was derived from audited financial statements.
Consolidation	*Consolidation* – The accompanying consolidated financial statements include the accounts of the Company and its wholly owned, majority owned and controlled subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation. The Company accounts for its investments in Affiliates in which the Company exhibits significant influence, but does not control, in accordance with the equity method of accounting. The Company does not consolidate its equity method investments, but rather measures them at their initial costs and then subsequently adjusts their carrying values through income for their respective shares of the earnings or losses during the period. The Company monitors its investments for other-than-temporary impairment by considering factors such as current economic and market conditions and the operating performance of the companies and records reductions in carrying values when necessary.
Use of estimates	*Use of estimates* – The preparation of financial statements in conformity with generally accepted accounting principles requires management of the Company to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.
Reclassifications	*Reclassifications* – Certain amounts presented in prior years have been reclassified to conform to the current year’s presentation. Such reclassifications had no effect on net income.
Revenue recognition and accounts receivable	*Revenue recognition and accounts receivable* – The Company recognizes revenues in the period in which services are performed and billed. Accounts receivable primarily consist of amounts due from third-party payors and patients. The Company’s ability to collect outstanding receivables is critical to its results of operations and cash flows. Amounts the Company receives for treatment of patients covered by governmental programs such as Medicare and Medicaid and other third-party payors such as health maintenance organizations, preferred provider organizations and other private insurers are generally less than the Company’s established billing rates. Additionally, to provide for accounts receivable that could become uncollectible in the future, the Company establishes an allowance for doubtful accounts to reduce the carrying value of such receivables to their estimated net realizable value. Accordingly, the revenues and accounts receivable reported in the Company’s consolidated financial statements are recorded at the net amount expected to be received.
Contractual Discounts and Cost Report Settlements	*Contractual Discounts and Cost Report Settlements* **–** The Company derives a significant portion of its revenues from Medicare, Medicaid and other payors that receive discounts from its established billing rates. The Company must estimate the total amount of these discounts to prepare its consolidated financial statements. The Medicare and Medicaid regulations and various

managed care contracts under which these discounts must be calculated are complex and are subject to interpretation and adjustment. The Company estimates the allowance for contractual discounts on a payor-specific basis given its interpretation of the applicable regulations or contract terms. These interpretations sometimes result in payments that differ from the Company's estimates. Additionally, updated regulations and contract renegotiations occur frequently, necessitating regular review and assessment of the estimation process by management. Changes in estimates related to the allowance for contractual discounts affect revenues reported in the Company's accompanying consolidated statements of operations.

Cost report settlements under reimbursement agreements with Medicare, Medicaid and Tricare are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined. There is a reasonable possibility that recorded estimates will change by a material amount in the near term. The estimated net cost report settlements due to the Company were $2,112,000 and $500,000 as of March 31, 2016 and December 31, 2015 respectively, and are included in prepaid and other current assets in the accompanying consolidated balance sheets. We increased our cost report estimate by $1,612,000 during the three months ended March 31, 2016 based on settlements from our final filed cost report for 2014 and an estimate of the 2015 cost report. The Company's management believes that adequate provisions have been made for adjustments that may result from final determination of amounts earned under these programs.

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on the Company's financial statements. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

Provision and Allowance for Doubtful Accounts

Provision and Allowance for Doubtful Accounts – To provide for accounts receivable that could become uncollectible in the future, the Company establishes an allowance for doubtful accounts to reduce the carrying value of such receivables to their estimated net realizable value. The primary uncertainty lies with uninsured patient receivables and deductibles, co-payments or other amounts due from individual patients.

The Company has an established process to determine the adequacy of the allowance for doubtful accounts that relies on a number of analytical tools and benchmarks to arrive at a reasonable allowance. No single statistic or measurement determines the adequacy of the allowance for doubtful accounts. Some of the analytical tools that the Company utilizes include, but are not limited to, the aging of accounts receivable, historical cash collection experience, revenue trends by payor classification, revenue days in accounts receivable, the status of claims submitted to third party payors, reason codes for declined claims and an assessment of the Company's ability to address the issue and resubmit the claim and whether a patient is on a payment plan and making payments consistent with that plan. Accounts receivable are written off after collection efforts have been followed in accordance with the Company's policies.

Due to the nature of the healthcare industry and the reimbursement environment in which the Company operates, certain estimates are required to record net revenues and accounts receivable at their net realizable values at the time products or services are provided. Inherent in these estimates is the risk that they will have to be revised or updated as additional information becomes available, which could have a material impact on the Company's operating results and cash flows in subsequent periods. Specifically, the complexity of many third-party billing arrangements and the uncertainty of reimbursement amounts for certain services from certain payors may result in adjustments to amounts originally recorded.

The patient and their third party insurance provider typically share in the payment for the Company's products and services. The amount patients are responsible for includes co-payments, deductibles, and amounts not covered due to the provider being out-of-network. Due to uncertainties surrounding deductible levels and the number of out-of-network patients, the Company is not certain of the full amount of patient responsibility at the time of service. The Company estimates amounts due from patients prior to service and generally collects those amounts prior to service. Remaining amounts due from patients are then billed following completion of service.

The activity in the allowance for doubtful accounts for the three months ending March 31, 2016 follows:

	2016
Balance at beginning of period	$ 6,062,000
Provisions recognized as reduction in revenues	1,921,985
Write-offs, net of recoveries	(4,320,985)
Balance at end of period	$ 3,663,000

Cash and cash equivalents

Cash and cash equivalents – The Company considers all highly liquid temporary cash investments with an original maturity of three months or less to be cash equivalents. Certificates of deposit with original maturities of more than three months are also considered cash equivalents if there are no restrictions on withdrawing funds from the account.

Restricted Cash

Restricted Cash – As of March 31, 2016 and December 31, 2015, the Company had restricted cash of approximately $0.1 million and $0.2 million respectively, included in cash in the accompanying consolidated balance sheets. The restricted cash is pledged as collateral against certain debt of the Company.

Goodwill and Intangible Assets

Goodwill and Intangible Assets – The Company evaluates goodwill for impairment at least on an annual basis and more frequently if certain indicators are encountered. Goodwill is to be tested at the reporting unit level, defined as an ASC or hospital (referred to as a component), with the fair value of the reporting unit being compared to its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired. The Company will complete its annual impairment test in December 2016.

Intangible assets other than goodwill which include physician membership interests, service contracts and covenants not to compete are amortized over their estimated useful lives using the straight line method. The remaining lives range from two to twenty years. The Company evaluates the recoverability of identifiable intangible asset whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable.

Net income (loss) per share

Net income (loss) per share – Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted income (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted during the period. Dilutive securities having an anti-dilutive effect on diluted loss per share are excluded from the calculation.

Recently Adopted and Recently Issued Accounting Guidance

Recently Adopted and Recently Issued Accounting Guidance

Adopted Guidance

In January 2015, the FASB issued changes to the presentation of extraordinary items. Such items are defined as transactions or events that are both unusual in nature and infrequent in occurrence, and, currently, are required to be presented separately in an entity's income statement, net of income tax, after income from continuing operations. The changes eliminate the concept of an extraordinary item and, therefore, the presentation of such items will no longer be required. Notwithstanding this change, an entity will still be required to present and disclose a transaction or event that is both unusual in nature and infrequent in occurrence in the notes to the financial statements. The Company adopted these changes on January 1, 2016. The adoption of these changes had no impact on the Company's consolidated financial statements.

In February 2015, the FASB issued changes to the analysis that an entity must perform to determine whether it should consolidate certain types of legal entities. These changes (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, (ii) eliminate the presumption that a general partner should consolidate a limited partnership, (iii) affect the consolidation analysis of reporting entities that are involved with variable interest entities, particularly those that have fee arrangements and related party relationships, and (iv) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The Company adopted these changes on January 1, 2016. The adoption of these changes had no impact on the Company's consolidated financial statements.

In April 2015, the FASB issued changes to the presentation of debt issuance costs. Currently, such costs are required to be presented as a noncurrent asset in an entity's balance sheet and amortized into interest expense over the term of the related debt instrument. The changes require that debt issuance costs be presented in an entity's balance sheet as a direct deduction from the carrying value of the related debt liability. The amortization of debt issuance costs remains unchanged. The Company adopted these changes on January 1, 2016. The adoption of these changes resulted in a decrease of approximately $612,000, to other assets and long-term debt, net of current portion, respectively, debt included in the accompanying consolidated balance sheet.

In August 2014, the FASB issued changes to the disclosure of uncertainties about an entity's ability to continue as a going concern. Under GAAP, continuation of a reporting entity as a going concern is presumed as the basis for preparing financial statements unless and until the entity's liquidation becomes imminent. Even if an entity's liquidation is not imminent, there may be conditions or events that raise substantial doubt about the entity's ability to continue as a going concern. Because there is no guidance in GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern or to provide related note disclosures, there is diversity in practice with respect to whether, when, and how an entity discloses the relevant conditions and events in its financial statements. As a result, these changes require an entity's management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that financial statements are issued. Substantial doubt is defined as an indication that it is probable that an entity will be unable to meet its obligations as they become due within one year after the date that financial statements are issued. If management has concluded that substantial doubt exists, then the following disclosures should be made in the financial statements: (i) principal conditions or events that raised the substantial doubt, (ii) management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations, (iii) management's plans that alleviated the initial substantial doubt or, if substantial doubt was not alleviated, management's plans that are intended to at least mitigate the conditions or events that raise substantial doubt, and (iv) if the latter in (iii) is disclosed, an explicit statement that there is substantial doubt about the entity's ability to continue as a going concern. The Company adopted these changes on January 1, 2016. The adoption of these changes had no impact on the Company's consolidated financial statements. This guidance will need to be applied by management at the end of each annual period and interim period therein to determine what, if any, impact there will be on the consolidated financial statements in a given reporting period.

In September 2015, the FASB issued changes to the accounting for business combinations simplifying the accounting for measurement period Adjustments. The update eliminates the requirement for an acquirer to retrospectively adjust its financial statements for changes to provisional amounts that are identified during the measurement-period following the consummation of a business combination. Instead, the update requires these types of adjustments to be made during the reporting period in which they are identified and would require additional disclosure or separate presentation of the portion of the adjustment that would have been recorded in the previously reported periods as if the adjustment to the provisional amounts had been recognized as of the acquisition date. The Company adopted these changes on January 1, 2016. The adoption of these changes had no impact on the Company's consolidated financial statements.

Issued Guidance

In July 2015, the FASB issued changes to the subsequent measurement of inventory. Currently, an entity is required to measure its inventory at the lower of cost or market, whereby market can be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. The changes require that inventory be measured at the lower of cost and net realizable value, thereby eliminating the use of the other two market methodologies. Net realizable value is defined as the estimated selling prices in the ordinary course of business less reasonably predictable costs of completion, disposal, and transportation. These changes do not apply to inventories measured using LIFO (last-in, first-out) or the retail inventory method. Currently, the Company applies the net realizable value market option to measure its inventories at the lower of cost or market. These changes become effective for the Company on January 1, 2017. Management has determined that the adoption of these changes will not have an impact on the Company's consolidated financial statements.

In May 2014, the FASB issued changes to the recognition of revenue from contracts with customers. These changes created a comprehensive framework for all entities in all industries to apply in the determination of when to recognize revenue, and, therefore, supersede virtually all existing revenue recognition requirements and guidance. This framework is expected to result in less complex guidance in application while providing a consistent and comparable methodology for revenue recognition. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract(s), (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract(s), and (v) recognize revenue when, or as, the entity satisfies a performance obligation. These changes become effective for the Company on January 1, 2018. Management is currently evaluating the potential impact of these changes on the Company's consolidated financial statements.

In February 2016, the FASB issued changes to the accounting for leases, which requires an entity that leases assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 and must be adopted using a modified retrospective approach. Management is currently evaluating the impact of this update on the consolidated financial statements.

In March 2016, the FASB issued changes to employee share-based payment accounting, which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification on the statement of cash flows. For public companies, the new guidance is effective for annual reporting periods (including interim periods within those periods) beginning after December 15, 2016, with early adoption permitted. The Company is in the process of evaluating the impact of adoption of this guidance on its financial statements.

Summary of Significant Accounting Policies (Tables)	**3 Months Ended Mar. 31, 2016**
Accounting Policies [Abstract]	
Allowance for Doubtful Accounts	The activity in the allowance for doubtful accounts for the three months ending March 31, 2016 follows:

	2016
Balance at beginning of period	$ 6,062,000
Provisions recognized as reduction in revenues	1,921,985
Write-offs, net of recoveries	(4,320,985)
Balance at end of period	$ 3,663,000

Acquisition (Tables)

3 Months Ended Mar. 31, 2016

Business Combinations [Abstract]

Preliminary Purchase Allocation to the fair value of the Assets Acquired and Liabilities Assumed

The preliminary purchase allocations for the Acquisition are as follows:

	Preliminary	Adjustments	Adjusted
Accounts receivable	$ 7,229,000	$ —	$ 7,229,000
Supplies inventories	1,689,000	—	1,689,000
Other current assets	395,000	—	395,000
Total current assets	9,313,000	—	9,313,000
Property and equipment	40,363,000	(733,000)	39,630,000
Other assets	307,000	—	307,000
Intangible, net	—	3,930,000	3,930,000
Goodwill	9,450,000	(2,822,000)	6,628,000
Total assets acquired	59,433,000	375,000	59,808,000
Liabilities assumed:			
Accounts payable and accrued liabilities	1,589,000	375,000	1,964,000
Current portion of long-term debt and capital lease obligations	4,740,000	—	4,740,000
Total current liabilities	6,329,000	375,000	6,704,000
Long-term debt and capital lease obligations, net of current portion	28,004,000	—	28,004,000
Total liabilities assumed	34,333,000	375,000	34,708,000
Net assets acquired	$25,100,000	$ —	$25,100,000

Revenue and Earnings of Combined Entity Acquisition

The revenue and earnings of the combined entity had the Acquisition date been January 1, 2015 are as follows:

				Attributable to Foundation HealthCare common stock	
	Revenue	Loss From Continuing Operations	Net Income (Loss)	Net Loss	Net Loss Per Share
Actual:					
From 1/1/2016 to 3/31/2016	$ 38,637,000	$(2,843,000)	$(2,855,000)	$(3,741,000)	$(0.22)
Supplemental Pro Forma:					
From 1/1/2015 to 12/31/2015	$180,144,000	$ (69,000)	$ 6,662,000	$ (690,000)	$(0.04)

Discontinued Operations (Tables)	3 Months Ended Mar. 31, 2016
Discontinued Operations And Disposal Groups [Abstract]	
Operating Results and Balance Sheet Items of Discontinued Operations	The operating results for the Company's discontinued operations for the three months ended March 31, 2016 and 2015 are summarized below:

	2016	2015
Revenues:		
Equity in earnings of GCCP	$ —	$ (27,510)
Sleep operations	—	—
Total revenues	$ —	$ (27,510)
Net income (loss) before taxes:		
GCCP	$ —	$ (27,510)
Sleep operations	(11,761)	(86,078)
Net income (loss) from discontinued operations, net of tax	$ (11,761)	$ (113,588)

The balance sheet items for the Company's discontinued operations are summarized below:

	March 31, 2016	December 31, 2015
Cash and cash equivalents	$ 6,712	$ 5,219
Other current assets	411,172	411,171
Total current assets	417,884	416,390
Fixed assets, net	—	8,713
Total assets	$ 417,884	$ 425,103
Payables and accrued liabilities	777,553	774,831
Income taxes payable	1,581,334	1,581,334
Total liabilities	$2,358,887	$2,356,165

Equity Investments in Affiliates (Tables)	3 Months Ended Mar. 31, 2016
Investments In And Advances To Affiliates Schedule Of Investments [Abstract]	
Summary of Equity Investments and Ownership Interests	The Company invests in non-majority interests in its Affiliates. The Company's equity investments and respective ownership interest as of March 31, 2016 and December 31, 2015 are as follows:

Affiliate	Location	Ownership % March 31, 2016	Ownership % December 31, 2015
Surgical Hospitals:			
Grayson County Physicians Property, LLC	Sherman, TX	0%	0%
Houston Orthopedic Hospital, LLC	Houston, TX	0%	0%
Summit Medical Center	Edmond, OK	8%	8%
ASCs:			
Foundation Surgery Affiliate of Nacogdoches, LLP	Nacogdoches, TX	13%	13%
Kirby Glenn Surgery Center	Houston, TX	0%	0%
Park Ten Surgery Center/ Physicians West Houston	Houston, TX	10%	10%
Foundation Surgery Affiliate of Middleburg Heights, LLC	Middleburg Heights, OH	10%	10%
Foundation Surgery Affiliate of Huntingdon Valley, LP	Huntingdon Valley, PA	20%	20%
New Jersey Surgery Center, LLC	Mercerville, NJ	10%	10%
Foundation Surgery Affiliate of Northwest Oklahoma City, LLC	Oklahoma City, OK	20%	20%
Cumberland Valley Surgery Center, LLC	Hagerstown, MD	34%	34%
Frederick Surgical Center, LLC	Frederick, MD	20%	20%

Summary of Unaudited Results of Operations and Financial Position of Equity Investments in Affiliates

The results of operations for the three months ended March 31, 2016 and 2015, of the Company's equity investments in Affiliates are as follows:

	2016	2015
Net operating revenues	$11,744,153	$12,592,974
Net income	$ 3,140,498	$ 3,051,752

The results of financial position as of March 31, 2016 and December 31, 2015, of the Company's equity investments in Affiliates are as follows:

	March 31, 2016	December 31, 2015
Current assets	$10,587,583	$12,371,752
Noncurrent assets	6,038,579	7,699,093
Total assets	$16,626,162	$20,070,845

Current liabilities	$ 4,190,426	$ 4,240,326
Noncurrent liabilities	1,941,097	2,266,793
Total liabilities	$ 6,131,523	$ 6,507,119
Members' equity	$10,494,639	$13,563,726

Goodwill and Other Intangibles (Tables)	3 Months Ended Mar. 31, 2016

Goodwill And Intangible Assets Disclosure [Abstract]

Changes in Carrying Amount of Goodwill

Changes in the carrying amount of goodwill as follows:

	Gross Amount	Accumulated Impairment Loss	Net Carrying Value
December 31, 2015	$32,469,240	$(22,045,382)	$10,423,858
Changes in UGH purchase price allocation	(2,822,049)	—	(2,822,049)
March 31, 2016	$29,647,191	$(22,045,382)	$ 7,601,809

Changes in Carrying Amount of Intangible Assets

Changes in the carrying amount of intangible assets during the three months ended March 31, 2016 were as follows:

	Carrying Amount	Accumulated Amortization	Net
December 31, 2015	$ 14,524,500	$ (7,502,330)	$ 7,022,170
Change in UGH purchase price allocation	3,930,000	—	3,930,000
Amortization	—	(562,816)	(562,816)
March 31, 2016	$ 18,454,500	$ (8,065,146)	$ 10,389,354

Intangible Assets

Intangible assets as of March 31, 2016 and December 31, 2015 include the following:

		March 31, 2016			December 31, 2015
	Useful Life (Years)	Carrying Value	Accumulated Amortization	Net	Net
Management fee contracts	6 - 8	$ 3,498,500	$ (2,713,792)	$ 784,708	$ 893,723
Non-compete	5	2,027,000	(1,357,382)	669,618	771,161
Physician memberships	7	6,468,000	(3,157,000)	3,311,000	3,542,000
Medicare license	20	3,930,000	(47,733)	3,882,267	—
Trade name	5	381,000	(208,034)	172,966	192,379
Service Contracts	10	2,150,000	(581,205)	1,568,795	1,622,907
		$18,454,500	$ (8,065,146)	$10,389,354	$7,022,170

Amortization Expense for Next Five Years Related to Intangible Assets

Amortization expense for the next five years related to these intangible assets is expected to be as follows:

Twelve months ending March 31,	
2017	$ 2,248,629
2018	2,011,506
2019	1,356,950
2020	944,931
2021	405,931
Thereafter	3,421,406

Borrowings and Capital Lease Obligations (Tables)	3 Months Ended Mar. 31, 2016
Debt Disclosure [Abstract]	
Schedule of Short-Term Debt Obligations	The Company's short-term debt obligations are as of March 31, 2016 and December 31, 2015 are as follows:

	Rate (1)	2016	2015
Insurance premium financings	4.8 - 5.0%	$ 804,201	$ 308,769

(1) Effective rate as of March 31, 2016

Schedule of Long-Term Debt Obligations

The Company's long-term debt obligations at March 31, 2016 and December 31, 2015 are as follows:

	Rate (1)	Maturity Date	2016	2015
Senior Lender:				
Note payable	4.3%	Dec. 2020	$28,375,000	$28,375,000
Line of credit	4.3%	Dec. 2018	11,500,000	10,500,000
Unamortized loan origination costs			(612,182)	(644,403)
Other Lenders:				
Note payable - subordinated note	3.0%	Dec. 2019	7,900,000	7,900,000
Total			47,162,818	46,130,597
Less: Current portion of long-term debt			(4,733,276)	(4,601,320)
Long-term debt			$42,429,542	$41,529,277

(1) Effective rate as of March 31, 2016

Schedule of Applicable Margins Rate

The Applicable Margins are as follows:

Pricing Level	Senior Debt to EBITDA Ratio	Base Rate Portion	LIBOR Portion and Letter of Credit Fee	Commitment Fee
1	< 2.0 : 1.0	2.75%	3.75%	0.375%
2	≥ 2.0 : 1.0 but < 2.5 : 1.0	3.00%	4.00%	0.375%
3	≤ 2.5 : 1.0	3.25%	4.25%	0.375%

Future Maturities of Long-Term Debt

At March 31, 2016, future maturities of long-term debt were as follows:

Years ended March 31:	
2017	$ 4,733,276
2018	4,922,350

2019	16,560,781
2020	5,205,713
2021	16,352,880
Thereafter	—

Schedule Of Capital Lease Obligations

The Company's capital lease obligations as of March 31, 2016 and December 31, 2015 are as follows:

	Rate (1)	Maturity Date	2016	2015
Capital Leases Obligations:				
Building	7.5%	Jul. 2036	24,297,628	24,424,341
Equipment	5.6 - 9.0%	Mar. 2017 - Dec. 2020	8,563,642	9,185,320
Total			32,861,270	33,609,661
Less: Current portion of capital leases			(4,319,280)	(4,478,968)
Capital leases obligations			$28,541,990	$29,130,693

(1) Effective rate as of March 31, 2016

Future Maturities of Capital Leases Obligations

At March 31, 2016, future maturities of capital lease obligations were as follows:

Years ended March 31:	
2017	$ 4,319,280
2018	2,868,010
2019	1,680,296
2020	1,483,071
2021	1,310,455
Thereafter	21,200,158

Summary of Significant Accounting Policies - Additional Information (Detail) - USD ($)	3 Months Ended	
	Mar. 31, 2016	Dec. 31, 2015
Summary Of Significant Accounting Policies [Line Items]		
Adjustments for cost report settlements	$ 1,612,000	
Minimum		
Summary Of Significant Accounting Policies [Line Items]		
Estimated useful lives	2 years	
Maximum		
Summary Of Significant Accounting Policies [Line Items]		
Estimated useful lives	20 years	
Cash		
Summary Of Significant Accounting Policies [Line Items]		
Restricted cash	$ 100,000	$ 200,000
Prepaid and Other Current Assets		
Summary Of Significant Accounting Policies [Line Items]		
Cost settlements adjustment amount	2,112,000	$ 500,000
Net Income Loss		
Summary Of Significant Accounting Policies [Line Items]		
Prior period reclassification adjustment	0	
New Accounting Pronouncement | Other Assets		
Summary Of Significant Accounting Policies [Line Items]		
Prior period reclassification adjustment	$ 612,000	

Allowance for Doubtful Accounts (Detail) - USD ($)	3 Months Ended	
	Mar. 31, 2016	Mar. 31, 2015
Allowance For Doubtful Accounts Receivable Rollforward		
Balance at beginning of period	$ 6,062,000	
Provisions recognized as reduction in revenues	1,921,985	$ 421,024
Write-offs, net of recoveries	(4,320,985)	
Balance at end of period	$ 3,663,000	

Acquisition - Additional Information (Detail)	3 Months Ended Mar. 31, 2016 USD ($)	12 Months Ended Dec. 31, 2015 Bed
Business Acquisition [Line Items]		
Incurred expenses	$ 167,000	
UGH		
Business Acquisition [Line Items]		
Number of acquired beds | Bed		69
Cash paid for net of asset acquired	$ 25,100,000	

Preliminary Purchase Allocation to the fair value of the Assets Acquired and Liabilities Assumed (Detail) - USD ($)	Mar. 31, 2016	Dec. 31, 2015
Business Acquisition [Line Items]		
Accounts receivable	$ 7,229,000	
Supplies inventories	1,689,000	
Other current assets	395,000	
Total current assets	9,313,000	
Property and equipment	39,630,000	
Other assets	307,000	
Intangible, net	3,930,000	
Goodwill	7,601,809	$ 10,423,858
Total assets acquired	59,808,000	
Accounts payable and accrued liabilities	1,964,000	
Current portion of long-term debt and capital lease obligations	4,740,000	
Total current liabilities	6,704,000	
Long-term debt and capital lease obligations, net of current portion	28,004,000	
Total liabilities assumed	34,708,000	
Net assets acquired	25,100,000	
Preliminary		
Business Acquisition [Line Items]		
Accounts receivable	7,229,000	
Supplies inventories	1,689,000	
Other current assets	395,000	
Total current assets	9,313,000	
Property and equipment	40,363,000	
Other assets	307,000	
Total assets acquired	59,433,000	
Accounts payable and accrued liabilities	1,589,000	
Current portion of long-term debt and capital lease obligations	4,740,000	
Total current liabilities	6,329,000	
Long-term debt and capital lease obligations, net of current portion	28,004,000	
Total liabilities assumed	34,333,000	
Net assets acquired	25,100,000	
Adjustments		
Business Acquisition [Line Items]		
Property and equipment	(733,000)	
Intangible, net	3,930,000	
Total assets acquired	375,000	
Accounts payable and accrued liabilities	375,000	
Total current liabilities	375,000	
Total liabilities assumed	375,000	

UGH	
Business Acquisition [Line Items]	
Goodwill	6,628,000
UGH | Preliminary	
Business Acquisition [Line Items]	
Goodwill	9,450,000
UGH | Adjustments	
Business Acquisition [Line Items]	
Goodwill	$ (2,822,000)

Revenue and Earnings of Combined Entity Acquisition (Detail) - USD ($)	3 Months Ended		12 Months Ended
	Mar. 31, 2016	Mar. 31, 2015	Dec. 31, 2015
Business Acquisition [Line Items]			
Revenues	$ 38,637,078	$ 29,542,150	
Loss from Continuing Operations	(1,642,903)	397,834	
Net income (loss)	(1,654,664)	284,246	
Net Loss Attributable to Foundation HealthCare common stock	(2,382,759)	$ (1,136,648)	
UGH			
Business Acquisition [Line Items]			
Revenues	38,637,000		
Loss from Continuing Operations	(2,843,000)		
Net income (loss)	(2,855,000)		
Net Loss Attributable to Foundation HealthCare common stock	$ (3,741,000)		
Net Loss Per Share Attributable to Foundation HealthCare common stock	$ (0.22)		
Revenues, Proforma			$ 180,144,000
Income Loss From Continuing Operations Before Income Taxes Extraordinary Items Noncontrolling Interest, Proforma			(69,000)
Net Income (Loss), Including Portion Attributable to Noncontrolling Interest, Proforma			6,662,000
Attributable to Foundation HealthCare common stock, Proforma			$ (690,000)
Attributable to Foundation HealthCare common stock, Proforma			$ (0.04)

Divestitures - Additional Information (Detail) - USD ($) $ in Millions	Jul. 15, 2015	Jun. 12, 2015	May. 12, 2015
Divestitures [Line Items]			
Proceeds from sale of equity investment		$ 7.8	
Proceeds from termination of management agreement		0.5	
Senior Lender			
Divestitures [Line Items]			
Repayment of principal balance of notes		$ 7.0	
GCPP			
Divestitures [Line Items]			
Equity method investment percentage sold		20.00%	
Houston Texas | Kirby Glen Surgery, LLC			
Divestitures [Line Items]			
Equity method investment percentage sold	10.00%		
Proceeds from sale of equity investment	$ 0.2		
Houston Texas | Houston Orthopedic Surgical Hospital, L.L.C			
Divestitures [Line Items]			
Equity method investment percentage sold			20.00%
Proceeds from sale of equity investment			$ 1.8
Escrow related to sale of property of equity investee			$ 0.6

Discontinued Operations - Additional Information (Detail) - USD ($) $ in Millions	3 Months Ended	
	Mar. 31, 2016	Mar. 31, 2015
Discontinued Operations And Disposal Groups [Abstract]		
Reclassification of earnings from affiliates to income	$ 0.1	$ 0.1

Operating Results and Balance Sheet Items of Discontinued Operations (Detail) - USD ($)	3 Months Ended		
	Mar. 31, 2016	Mar. 31, 2015	Dec. 31, 2015
Income Statement Balance Sheet And Additional Disclosures By Disposal Groups Including Discontinued Operations [Line Items]			
Revenues		$ (27,510)	
Loss from discontinued operations, net of tax	$ (11,761)	(113,588)	
Cash and cash equivalents	6,712		$ 5,219
Other current assets	411,172		411,171
Total current assets	417,884		416,390
Fixed assets, net			8,713
Total assets	417,884		425,103
Payables and accrued liabilities	777,553		774,831
Income taxes payable	1,581,334		1,581,334
Total liabilities	2,358,887		$ 2,356,165
GCPP			
Income Statement Balance Sheet And Additional Disclosures By Disposal Groups Including Discontinued Operations [Line Items]			
Revenues		(27,510)	
Net income (loss) before taxes		(27,510)	
Sleep Operations			
Income Statement Balance Sheet And Additional Disclosures By Disposal Groups Including Discontinued Operations [Line Items]			
Net income (loss) before taxes	$ (11,761)	$ (86,078)	

Summary of Equity Investments and Ownership Interests (Detail)	Mar. 31, 2016	Dec. 31, 2015
Grayson County Physicians Property LLC | Sherman TX		
Investments In And Advances To Affiliates [Line Items]		
Equity investments, ownership interest	0.00%	0.00%
Houston Orthopedic Hospital LLC | Houston TX		
Investments In And Advances To Affiliates [Line Items]		
Equity investments, ownership interest	0.00%	0.00%
Summit Medical Center | Edmond OK		
Investments In And Advances To Affiliates [Line Items]		
Equity investments, ownership interest	8.00%	8.00%
Foundation Surgery Affiliate of Nacogdoches LLP | Nacogdoches TX		
Investments In And Advances To Affiliates [Line Items]		
Equity investments, ownership interest	13.00%	13.00%
Kirby Glen Surgery Center | Houston TX		
Investments In And Advances To Affiliates [Line Items]		
Equity investments, ownership interest	0.00%	0.00%
Park Ten Surgery Center | Houston TX		
Investments In And Advances To Affiliates [Line Items]		
Equity investments, ownership interest	10.00%	10.00%
Foundation Surgery Affiliate of Middleburg Heights LLC | Middleburg Heights OH		
Investments In And Advances To Affiliates [Line Items]		
Equity investments, ownership interest	10.00%	10.00%
Foundation Surgery Affiliate of Huntingdon Valley LP | Huntingdon Valley PA		
Investments In And Advances To Affiliates [Line Items]		
Equity investments, ownership interest	20.00%	20.00%
New Jersey Surgery Center LLC | Mercerville NJ		
Investments In And Advances To Affiliates [Line Items]		
Equity investments, ownership interest	10.00%	10.00%
Foundation Surgery Affiliate of Northwest Oklahoma City LLC | Oklahoma City OK		
Investments In And Advances To Affiliates [Line Items]		
Equity investments, ownership interest	20.00%	20.00%
Cumberland Valley Surgery Center LLC | Hagerstown MD		
Investments In And Advances To Affiliates [Line Items]		
Equity investments, ownership interest	34.00%	34.00%
Frederick Surgical Center LLC | Frederick MD		
Investments In And Advances To Affiliates [Line Items]		
Equity investments, ownership interest	20.00%	20.00%

Summary of Unaudited Results of Operations and Financial Position of Equity Investments in Affiliates (Detail) - USD ($)	3 Months Ended		
	Mar. 31, 2016	Mar. 31, 2015	Dec. 31, 2015
Investments In And Advances To Affiliates Schedule Of Investments [Abstract]			
Net operating revenues	$ 11,744,153	$ 12,592,974	
Net income	3,140,498	$ 3,051,752	
Current assets	10,587,583		$ 12,371,752
Noncurrent assets	6,038,579		7,699,093
Total assets	16,626,162		20,070,845
Current liabilities	4,190,426		4,240,326
Noncurrent liabilities	1,941,097		2,266,793
Total liabilities	6,131,523		6,507,119
Members' equity	$ 10,494,639		$ 13,563,726

Changes in Carrying Amount of Goodwill (Detail)	3 Months Ended Mar. 31, 2016 USD ($)
Goodwill [Line Items]	
Goodwill Gross Amount, Beginning of period	$ 32,469,240
Goodwill Gross Amount, End of period	29,647,191
Goodwill Accumulated Impairment Loss, Beginning of period	(22,045,382)
Goodwill Accumulated Impairment Loss, End of period	(22,045,382)
Goodwill, Beginning of period	10,423,858
Goodwill, End of period	7,601,809
UGH	
Goodwill [Line Items]	
Goodwill, Changes in purchase price allocation	$ (2,822,049)

Changes in Carrying Amount of Intangible Assets (Detail) - USD ($)	3 Months Ended	
	Mar. 31, 2016	Mar. 31, 2015
Finite Lived Intangible Assets [Line Items]		
Intangible asset carrying amount, beginning balance	$ 14,524,500	
Intangible asset carrying amount, ending balance	18,454,500	
Intangible asset accumulated amortization, beginning balance	(7,502,330)	
Intangible asset, accumulated amortization	(562,816)	
Intangible asset accumulated amortization, ending balance	(8,065,146)	
Intangible asset beginning balance, net	7,022,170	
Amortization expense	(562,816)	$ (514,556)
Intangible asset ending balance, net	10,389,354	
UGH		
Finite Lived Intangible Assets [Line Items]		
Intangible asset changes in purchase price allocation	3,930,000	
Intangible asset changes in purchase price allocation, net	$ 3,930,000	

Intangible Assets (Detail) - USD ($)	3 Months Ended Mar. 31, 2016	Dec. 31, 2015
Finite Lived Intangible Assets [Line Items]		
Intangible asset carrying amount	$ 18,454,500	$ 14,524,500
Accumulated Amortization	(8,065,146)	(7,502,330)
Intangible assets, net	10,389,354	7,022,170
Management Fee Contracts		
Finite Lived Intangible Assets [Line Items]		
Intangible asset carrying amount	3,498,500	
Accumulated Amortization	(2,713,792)	
Intangible assets, net	$ 784,708	893,723
Non-compete		
Finite Lived Intangible Assets [Line Items]		
Estimated useful lives	5 years	
Intangible asset carrying amount	$ 2,027,000	
Accumulated Amortization	(1,357,382)	
Intangible assets, net	$ 669,618	771,161
Physician memberships		
Finite Lived Intangible Assets [Line Items]		
Estimated useful lives	7 years	
Intangible asset carrying amount	$ 6,468,000	
Accumulated Amortization	(3,157,000)	
Intangible assets, net	$ 3,311,000	3,542,000
Medicare License		
Finite Lived Intangible Assets [Line Items]		
Estimated useful lives	20 years	
Intangible asset carrying amount	$ 3,930,000	
Accumulated Amortization	(47,733)	
Intangible assets, net	$ 3,882,267	
Trade Name		
Finite Lived Intangible Assets [Line Items]		
Estimated useful lives	5 years	
Intangible asset carrying amount	$ 381,000	
Accumulated Amortization	(208,034)	
Intangible assets, net	$ 172,966	192,379
Service Contracts		
Finite Lived Intangible Assets [Line Items]		
Estimated useful lives	10 years	
Intangible asset carrying amount	$ 2,150,000	
Accumulated Amortization	(581,205)	
Intangible assets, net	$ 1,568,795	$ 1,622,907
Minimum		
Finite Lived Intangible Assets [Line Items]		

Estimated useful lives	2 years
Minimum | Management Fee Contracts	
Finite Lived Intangible Assets [Line Items]	
Estimated useful lives	6 years
Maximum	
Finite Lived Intangible Assets [Line Items]	
Estimated useful lives	20 years
Maximum | Management Fee Contracts	
Finite Lived Intangible Assets [Line Items]	
Estimated useful lives	8 years

Goodwill and Other Intangibles - Additional Information (Detail) - USD ($)	3 Months Ended	
	Mar. 31, 2016	Mar. 31, 2015
Goodwill And Intangible Assets Disclosure [Abstract]		
Amortization expense	$ 562,816	$ 514,556

Amortization Expense for Next Five Years Related to Intangible Assets (Detail)	Mar. 31, 2016 USD ($)
Finite Lived Intangible Assets Future Amortization Expense [Abstract]	
2017	$ 2,248,629
2018	2,011,506
2019	1,356,950
2020	944,931
2021	405,931
Thereafter	$ 3,421,406

Schedule of Short-Term Debt Obligations (Detail) - USD ($)	3 Months Ended	
	Mar. 31, 2016	Dec. 31, 2015
Short-term Debt [Line Items]		
Short-term debt	$ 804,201	$ 308,769
Insurance premium financings		
Short-term Debt [Line Items]		
Short-term debt	$ 804,201	$ 308,769
Debt instrument, effective interest rate, minimum [1]	4.80%	
Debt instrument, effective interest rate, maximum [1]	5.00%	

[1] Effective rate as of March 31, 2016

Borrowings and Capital Lease Obligations - Additional Information (Detail) - USD ($)	3 Months Ended													12 Months Ended
	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Dec. 31, 2015
Debt Instrument [Line Items]														
Long term debt												$ 47,162,818	$ 46,130,597	$ 46,130,597
Prepayment fee percentage on term loan or revolving loan prior to first anniversary												2.00%		
Prepayment penalty percentage on term loan after first anniversary												1.50%		
Prepayment penalty percentage on term loan after second anniversary but prior to third anniversary												1.00%		
Debt to EBITDA ratio												312.00%		
Pre-Distribution fixed charge coverage ratio												182.00%		
Post-Distribution fixed charge coverage ratio												130.00%		
Amount of uninsured judgment triggering default												$ 500,000		
Debt default, description												In addition to the general defaults of failure to perform our obligations under the Loan Agreement, events of default also include the occurrence of a change in control, as defined, and the loss of our Medicare or Medicaid certification, collateral casualties, entry of a uninsured judgment of $500,000 or more, failure of first liens on collateral and the termination of any of the Company's management agreements that represent more than 10% of the Company's management fees for the preceding		

	18 month period. In the event of a monetary default, all of the Company's obligations due under the TCB Credit Facility shall become immediately due and payable. In the event of a non-monetary default, the Company has 10 days or in some cases three days to cure before Texas Capital Bank has the right to declare the Company's obligations due under the TCB Credit Facility immediately due and payable.
Term Loan	
Debt Instrument [Line Items]	
Long term debt	$ 28,400,000
Debt instrument maturity date	Dec. 30, 2020
Percentage of prepayment on net proceeds from the sale of worn out and obsolete equipment	100.00%
Percentage of prepayment on net cash proceeds from the issuance of equity interests	50.00%
Mandatory prepayment for future payment condition description	provided that no prepayment need to be made for the year ended December 31, 2016 once the Company has made mandatory prepayments in excess of $10,000,000
Percentage of prepayment on net cash proceeds from issuance of debt	100.00%

Percentage of prepayment on net cash proceeds paid to the Company other than ordinary course of business		100.00%
Percentage of prepayment on net cash proceeds from the prepayment of intercompany notes		100.00%
Term Loan | First Four Quarterly Payments		
Debt Instrument [Line Items]		
Quarterly principal payment		$ 1,013,393
Term Loan | Scenario Forecast		
Debt Instrument [Line Items]		
Percentage of installment payment on excess cash flow	50.00%	
Revolving Loan		
Debt Instrument [Line Items]		
Line of credit collateralized		$ 12,500,000
Debt instrument maturity date		Dec. 30, 2018
Capital Lease Obligations		
Debt Instrument [Line Items]		
Monthly principal and interest payment		$ 300,084
Capital Lease Obligations | Foundation Surgical Hospital Of Houston		
Debt Instrument [Line Items]		
Monthly principal and interest payment		$ 193,611
Debt instrument, effective interest rate		7.50%
Senior Debt		
Debt Instrument [Line Items]		
Senior debt to EBITDA ratio		269.00%
TCB Credit Facility		
Debt Instrument [Line Items]		
Debt instrument, interest rate description		“Base Rate” for any day is the highest of (i) the Prime Rate, (ii) the Federal Funds Rate plus one half of one percent (0.5%), and (iii) Adjusted LIBOR plus one percent (1.00%). LIBOR loans are based on either the one month, two month or three

		month LIBOR rate at the Company’s option.
Maximum allowable amount of capital expenditure		$ 5,000,000
TCB Credit Facility | Revolving Loan | Foundation Surgical Hospital of San Antonio		
Debt Instrument [Line Items]		
Percentage of eligible account not to exceed the outstanding principal balance of intercompany note payable		80.00%
TCB Credit Facility | Revolving Loan | Foundation Surgical Hospital of El Paso		
Debt Instrument [Line Items]		
Percentage of eligible account not to exceed the outstanding principal balance of intercompany note payable		80.00%
TCB Credit Facility | Revolving Loan | Foundation Surgical Hospital Of Houston		
Debt Instrument [Line Items]		
Percentage of eligible account not to exceed the outstanding principal balance of intercompany note payable		80.00%
TCB Credit Facility | Federal Funds Rate		
Debt Instrument [Line Items]		
Debt instrument basis spread on variable rate		0.50%
TCB Credit Facility | LIBOR Rate		
Debt Instrument [Line Items]		
Debt instrument basis spread on variable rate		1.00%
Insurance premium financings		
Debt Instrument [Line Items]		
Debt instrument, effective interest rate, minimum	[1]	4.80%
Debt instrument, effective interest rate, maximum	[1]	5.00%
Monthly principal and interest payment		$ 134,051
Minimum | Capital Lease Obligations		
Debt Instrument [Line Items]		
Debt instrument, effective interest rate		5.60%
Minimum | Insurance premium financings		
Debt Instrument [Line Items]		
Debt instrument, maturity month and year		2016-06
Maximum		

Debt Instrument [Line Items]														
Debt to EBITDA ratio												325.00%	325.00%	350.00%
Pre-Distribution fixed charge coverage ratio												130.00%		
Post-Distribution fixed charge coverage ratio												105.00%		
Maximum | Scenario Forecast														
Debt Instrument [Line Items]														
Debt to EBITDA ratio	225.00%	250.00%	250.00%	250.00%	250.00%	275.00%	275.00%	275.00%	275.00%	325.00%	325.00%			
Maximum | Capital Lease Obligations														
Debt Instrument [Line Items]														
Debt instrument, effective interest rate												9.00%		
Maximum | Senior Debt														
Debt Instrument [Line Items]														
Senior debt to EBITDA ratio												300.00%	300.00%	300.00%
Maximum | Senior Debt | Scenario Forecast														
Debt Instrument [Line Items]														
Senior debt to EBITDA ratio	200.00%	225.00%	225.00%	225.00%	225.00%	250.00%	250.00%	250.00%	250.00%	300.00%	300.00%			
Maximum | Insurance premium financings														
Debt Instrument [Line Items]														
Debt instrument, maturity month and year												2016-10		

[1] Effective rate as of March 31, 2016

Schedule of Long-Term Debt Obligations (Detail) - USD ($)	3 Months Ended	
	Mar. 31, 2016	Dec. 31, 2015
Debt Instrument [Line Items]		
Long term debt	$ 47,162,818	$ 46,130,597
Less: Current portion of long-term debt	(4,733,276)	(4,601,320)
Long-term debt	42,429,542	41,529,277
Senior Lender		
Debt Instrument [Line Items]		
Note payable	28,375,000	28,375,000
Line of credit	11,500,000	10,500,000
Unamortized loan origination costs	$ (612,182)	(644,403)
Senior Lender | Note Payable		
Debt Instrument [Line Items]		
Debt instrument, effective interest rate	[1] 4.30%	
Debt instrument maturity date	2020-12	
Senior Lender | Line of credit		
Debt Instrument [Line Items]		
Debt instrument, effective interest rate	[1] 4.30%	
Debt instrument maturity date	2018-12	
Other Lenders | Note Payable Subordinated Note		
Debt Instrument [Line Items]		
Debt instrument, effective interest rate	[1] 3.00%	
Debt instrument maturity date	2019-12	
Note payable	$ 7,900,000	$ 7,900,000

[1] Effective rate as of March 31, 2016

Schedule of Applicable Margins Rate (Detail)	3 Months Ended Mar. 31, 2016
Senior Debt To EBITDA Ratio One	
Debt Instrument [Line Items]	
Commitment Fee	0.375%
Senior Debt To EBITDA Ratio One | Base Rate Portion	
Debt Instrument [Line Items]	
Debt instrument basis spread on variable rate	2.75%
Senior Debt To EBITDA Ratio One | LIBOR Portion and Letter of Credit Fee	
Debt Instrument [Line Items]	
Debt instrument basis spread on variable rate	3.75%
Senior Debt To EBITDA Ratio One | Maximum	
Debt Instrument [Line Items]	
Senior Debt to EBITDA Ratio	200.00%
Senior Debt To EBITDA Ratio Two	
Debt Instrument [Line Items]	
Commitment Fee	0.375%
Senior Debt To EBITDA Ratio Two | Base Rate Portion	
Debt Instrument [Line Items]	
Debt instrument basis spread on variable rate	3.00%
Senior Debt To EBITDA Ratio Two | LIBOR Portion and Letter of Credit Fee	
Debt Instrument [Line Items]	
Debt instrument basis spread on variable rate	4.00%
Senior Debt To EBITDA Ratio Two | Maximum	
Debt Instrument [Line Items]	
Senior Debt to EBITDA Ratio	250.00%
Senior Debt To EBITDA Ratio Two | Minimum	
Debt Instrument [Line Items]	
Senior Debt to EBITDA Ratio	200.00%
Senior Debt To EBITDA Ratio Three	
Debt Instrument [Line Items]	
Commitment Fee	0.375%
Senior Debt To EBITDA Ratio Three | Base Rate Portion	
Debt Instrument [Line Items]	
Debt instrument basis spread on variable rate	3.25%
Senior Debt To EBITDA Ratio Three | LIBOR Portion and Letter of Credit Fee	
Debt Instrument [Line Items]	
Debt instrument basis spread on variable rate	4.25%
Senior Debt To EBITDA Ratio Three | Maximum	
Debt Instrument [Line Items]	
Senior Debt to EBITDA Ratio	250.00%

Future Maturities Long-Term Debt (Detail)	Mar. 31, 2016 USD ($)
Maturities Of Long Term Debt [Abstract]	
2017	$ 4,733,276
2018	4,922,350
2019	16,560,781
2020	5,205,713
2021	$ 16,352,880

Schedule of Capital Lease Obligations (Detail) - USD ($)		3 Months Ended	
		Mar. 31, 2016	Dec. 31, 2015
Operating Leased Assets [Line Items]			
Capital Leases Obligations:		$ 32,861,270	$ 33,609,661
Less: Current portion of capital leases		(4,319,280)	(4,478,968)
Capital leases obligations		28,541,990	29,130,693
Building			
Operating Leased Assets [Line Items]			
Capital Leases Obligations:		24,297,628	24,424,341
Equipment			
Operating Leased Assets [Line Items]			
Capital Leases Obligations:		$ 8,563,642	$ 9,185,320
Capital Lease Obligations | Building			
Operating Leased Assets [Line Items]			
Debt instrument, effective interest rate	[1]	7.50%	
Debt instrument maturity date		2036-07	
Capital Lease Obligations | Minimum			
Operating Leased Assets [Line Items]			
Debt instrument, effective interest rate		5.60%	
Capital Lease Obligations | Minimum | Equipment			
Operating Leased Assets [Line Items]			
Debt instrument, effective interest rate	[1]	5.60%	
Debt instrument maturity date		2017-03	
Capital Lease Obligations | Maximum			
Operating Leased Assets [Line Items]			
Debt instrument, effective interest rate		9.00%	
Capital Lease Obligations | Maximum | Equipment			
Operating Leased Assets [Line Items]			
Debt instrument, effective interest rate	[1]	9.00%	
Debt instrument maturity date		2020-12	

[1] Effective rate as of March 31, 2016

Future Maturities of Capital Leases (Detail)	Mar. 31, 2016 USD ($)
Maturities Of Longterm Debt And Capital Lease Obligations [Abstract]	
2017	$ 4,319,280
2018	2,868,010
2019	1,680,296
2020	1,483,071
2021	1,310,455
Thereafter	$ 21,200,158

Preferred Noncontrolling Interests - Additional Information (Detail) - USD ($)	3 Months Ended Mar. 31, 2016	12 Months Ended Dec. 31, 2013	Dec. 31, 2015
Schedule Of Equity Method Investments [Line Items]			
Common stock, shares issued	17,375,394		17,303,180
Common stock value	$ 1,737		$ 1,730
Amount of unreturned capital contribution and undistributed preferred distributions	$ 10,000		
Conversion price per share	$ 20.00		
Common Stock			
Schedule Of Equity Method Investments [Line Items]			
Total consideration		$ 435,000	
Number of shares sold		87,000	
Foundation Health Enterprises LLC			
Schedule Of Equity Method Investments [Line Items]			
Offering cost		$ 100,000	
Common stock, shares issued		1,000	
Common stock value		$ 5,000	
Total consideration		8,700,000	
Cumulative preferred annual return	9.00%		
Foundation Health Enterprises LLC | Class B member interests			
Schedule Of Equity Method Investments [Line Items]			
Offering cost		$ 105,000	
Number offering units		87	
Foundation Health Enterprises LLC | Private placement			
Schedule Of Equity Method Investments [Line Items]			
Offering cost		$ 9,135,000	

Commitments and Contingencies - Additional Information (Detail) - USD ($)	3 Months Ended		
	Mar. 31, 2016	Mar. 31, 2015	Dec. 31, 2015
Commitments And Contingencies Disclosure [Abstract]			
Legal claims settlement expenses	$ 0	$ 0	
Self Insurance Reserves	$ 567,197		$ 424,593

Fair Value Measurements - Additional Information (Detail) - Fair Value, Measurements, Nonrecurring - Significant Unobservable Inputs (Level 3) - UGH	Dec. 31, 2015 USD ($)
Fair Value Assets And Liabilities Measured On Nonrecurring Basis [Line Items]	
Assets acquired	$ 59,808,000
Liabilities assumed	$ 34,708,000

Related Party Transactions - Additional Information (Detail) - USD ($)	3 Months Ended	
	Jun. 01, 2014	Mar. 31, 2016
New Sleep Lab International, Ltd.		
Related Party Transaction [Line Items]		
Income on underlying sub-lease	$ 8,767	
Sublease expiration date	Nov. 30, 2018	
Lease expense		$ 23,600
Valliance Bank		
Related Party Transaction [Line Items]		
Related party deposit		$ 100,000
Roy T. Oliver		
Related Party Transaction [Line Items]		
Percentage of ownership in shareholders and affiliates		5.00%
Affiliate ASCs And Hospitals | Minimum		
Related Party Transaction [Line Items]		
Management fee Percentages range		2.25%
Affiliate ASCs And Hospitals | Maximum		
Related Party Transaction [Line Items]		
Management fee Percentages range		6.00%

Subsequent Events - Additional Information (Detail) - USD ($)	May. 11, 2016	3 Months Ended Mar. 31, 2016
Revolving Loan		
Business Acquisition [Line Items]		
Line of credit		$ 12,500,000
Debt instrument maturity date		Dec. 30, 2018
Subsequent Event | Revolving Loan		
Business Acquisition [Line Items]		
Line of credit	$ 15,500,000	
Borrowing as temporary advance	$ 3,000,000	
Debt instrument maturity date	Jul. 31, 2016	
Subsequent Event | Ninety Nine Healthcare Management Limited Liability Company		
Business Acquisition [Line Items]		
Outstanding membership interests acquired	51.00%	
Cash paid to acquire membership interests	$ 440,000	
Common stock issued to purchase membership interest in entity	700,000	
Additional common stock issued upon execution	200,000	