



Stanford
HEALTH CARE

STANFORD MEDICINE

**Quarterly Financial Disclosure
For the Three Month Periods Ended
November 30, 2016 and 2015**

INDEX

	Page
Overview of Disclosure	2
Consolidated Financial Statements:	
Consolidated Balance Sheet as of November 30, 2016 and 2015	3
Consolidated Statement of Operations and Changes in Net Assets For the Three Month Periods Ended November 30, 2016 and 2015	4
Consolidated Statement of Cash Flows For the Three Month Periods Ended November 30, 2016 and 2015	5
Historical Utilization Statistics For the Three Month Periods Ended November 30, 2016 and 2015	6
APPENDIX A – Bond Issues and Related CUSIP Numbers	A-1



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Pursuant to the following Continuing Disclosure Agreements (collectively, the “Disclosure Agreements”) executed and delivered in connection with the related bond issues (collectively, the “Bonds”), Stanford Health Care (the “Corporation”) hereby provides financial and utilization information for the three month periods ended November 30, 2016 and 2015:

- Continuing Disclosure Agreement dated June 2, 2008, relating to the original issue of \$156,200,000 California Health Facilities Financing Authority Revenue Bonds (Stanford Hospital and Clinics) 2008 Series A-1 and A-3;
- Continuing Disclosure Agreement dated June 16, 2010, relating to the original issue of \$296,055,000 California Health Facilities Financing Authority Refunding Revenue Bonds (Stanford Hospital and Clinics) 2010 Series A and B;
- Continuing Disclosure Agreement dated June 15, 2011, relating to the reoffering of \$272,365,000 California Health Facilities Financing Authority Refunding Revenue Bonds (Stanford Hospital and Clinics) 2008 Series A-2, A-3 and B-2;
- Continuing Disclosure Agreement dated May 23, 2012, relating to the original issue of \$408,320,000 California Health Facilities Financing Authority Revenue Bonds (Stanford Hospital and Clinics) 2012 Series A and B; and
- Continuing Disclosure Agreement dated May 23, 2012, relating to the original issue of \$60,000,000 California Health Facilities Financing Authority Revenue Bonds (Stanford Hospital and Clinics) 2012 Series C; and
- Continuing Disclosure Agreement dated June 30, 2015, relating to the original issue of \$100,000,000 California Health Facilities Financing Authority Revenue Bonds (Stanford Health Care) 2015 Series A.

The Bonds are identified together with their corresponding CUSIPs in Appendix A of this quarterly disclosure report. Additionally, the Treasury department of the Corporation maintains a world-wide web site to which it makes certain disclosure documents available to the general public at <https://stanfordhealthcare.org/about-us/bondholder-general-financial-information.html>.

This quarterly disclosure was prepared by management from records maintained by the Corporation and has not been compiled, reviewed or audited by external auditors.

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All information is preliminary and subject to change.

Stanford Health Care
Consolidated Balance Sheet - Unaudited
As of November 30, 2016 and 2015
(In Thousands)

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 527,930	\$ 446,479
Short term investments	205,034	101,961
Patient accounts receivable, net of allowance for doubtful accounts of \$194,000 and \$145,000 at November 30, 2016 and 2015, respectively	580,620	569,528
Other receivables	74,122	80,140
Inventories	47,749	44,363
Prepaid expenses and other	42,603	28,449
Total current assets	1,478,058	1,270,920
Investments	132,305	118,316
Investments in University managed pools	1,297,956	1,353,594
Assets limited as to use, held by trustee	203,539	519,241
Property and equipment, net	2,494,047	2,067,323
Other assets	147,255	162,829
Total assets	\$ 5,753,160	\$ 5,492,223
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 325,639	\$ 286,673
Accrued salaries and related benefits	216,721	199,053
Due to related parties	31,912	13,822
Third-party payor settlements	24,654	12,444
Current portion of long-term debt	13,520	13,161
Debt subject to short-term remarketing arrangements	228,200	228,200
Self-insurance reserves and other	43,298	35,161
Total current liabilities	883,944	788,514
Self-insurance reserves and other, net of current portion	123,686	124,785
Other long-term liabilities	264,734	256,861
Pension liability	66,330	51,664
Long-term debt, net of current portion	1,208,342	1,229,398
Total liabilities	2,547,036	2,451,222
Net assets:		
Unrestricted:		
Stanford Health Care	2,586,627	2,449,591
Noncontrolling interests	20,477	22,149
Total unrestricted	2,607,104	2,471,740
Temporarily restricted	591,126	561,567
Permanently restricted	7,894	7,694
Total net assets	3,206,124	3,041,001
Total liabilities and net assets	\$ 5,753,160	\$ 5,492,223

All information is preliminary and subject to change.

Stanford Health Care
Consolidated Statement of Operations and
Changes in Net Assets – Unaudited
For the Three Month Periods Ended November 30, 2016 and 2015
(In Thousands)

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Net patient service revenue	\$ 1,057,032	\$ 981,666
Provision for doubtful accounts	(39,600)	(29,623)
Net patient service revenue less provision for doubtful accounts	1,017,432	952,043
Premium revenue	19,608	15,217
Other revenue	32,143	31,125
Net assets released from restrictions used for operations	1,525	1,713
Total operating revenues	<u>1,070,708</u>	<u>1,000,098</u>
Operating expenses:		
Salaries and benefits	496,929	436,876
Professional services	12,833	9,527
Supplies	143,391	131,656
Purchased services	276,252	260,054
Depreciation and amortization	35,336	32,246
Interest	9,890	10,029
Other	94,342	94,165
Expense recoveries from related parties	(26,290)	(25,196)
Total operating expenses	<u>1,042,683</u>	<u>949,357</u>
Income from operations	28,025	50,741
Interest and investment income	2,927	5,165
Increase (decrease) in value of University managed pools	22,472	(11,317)
Interest rate swaps mark to market adjustments	92,143	(22,508)
Excess of revenues over expenses	145,567	22,081
Other changes in unrestricted net assets:		
Transfer to Stanford University, net	(7,780)	(37,067)
Change in net unrealized gains on investments	(163)	(2,679)
Net assets released from restrictions used for:		
Purchase of property and equipment	9	33
Noncontrolling capital contributions (distributions), net	301	(1,000)
Increase (decrease) in unrestricted net assets	<u>137,934</u>	<u>(18,632)</u>
Changes in temporarily restricted net assets:		
Transfer from Stanford University	125	72
Contributions and other	14,632	1,890
Investment income	136	135
Gains (losses) on University managed pools	681	(426)
Net assets released from restrictions used for:		
Operations	(1,525)	(1,713)
Purchase of property and equipment	(9)	(33)
Increase (decrease) in temporarily restricted net assets	<u>14,040</u>	<u>(75)</u>
Increase (decrease) in net assets	151,974	(18,707)
Net assets, beginning of year	<u>3,054,150</u>	<u>3,059,708</u>
Net assets, end of year	<u>\$ 3,206,124</u>	<u>\$ 3,041,001</u>

All information is preliminary and subject to change.

Stanford Health Care
Consolidated Statement of Cash Flows – Unaudited
For the Three Month Periods Ended
November 30, 2016 and 2015
(In Thousands)

	<u>2016</u>	<u>2015</u>
cash flows from operating activities:		
Change in Stanford Health Care net assets	\$ 151,630	\$ (17,877)
Change in noncontrolling interests	344	(830)
Total change in net assets	<u>151,974</u>	<u>(18,707)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	34,873	31,760
Provision for doubtful accounts	39,600	29,623
Change in fair value of interest rate swaps	(92,143)	22,508
(Increase) decrease in value of University managed pools	(22,472)	11,317
Unrealized (gains) losses on investments	(518)	3,116
Contributions received for long lived assets or endowment and net equity transfers to/from related parties	(5,858)	36,880
Changes in operating assets and liabilities:		
Patient accounts receivable	(60,287)	(48,430)
Due to related parties	(25,897)	(29,727)
Other receivables, inventory, other assets, prepaid expenses and other	13,362	2,499
Accounts payable, accrued liabilities and pension liabilities	(6,457)	7,019
Accrued salaries and related benefits	(20,098)	(3,806)
Third-party payor settlements	1,706	3,426
Self-insurance reserves	4,758	4,664
Cash provided by operating activities	<u>12,543</u>	<u>52,142</u>
cash flows from investing activities:		
Purchases of investments	(109,512)	(7,778)
Sales of investments	7,910	14,359
Purchases of investments in University managed pools	(43)	(47)
Sales of investments in University managed pools	41,729	75,051
Decrease in assets limited as to use and other	32,249	61,460
Purchases of property and equipment	(129,355)	(175,224)
Cash used in investing activities	<u>(157,022)</u>	<u>(32,179)</u>
cash flows from financing activities:		
Payment of long-term debt and capital lease obligations	(12,008)	(8,130)
Contributions received for long lived assets or endowment and net equity transfers to/from related parties	(6,043)	(41,031)
Cash used in financing activities	<u>(18,051)</u>	<u>(49,161)</u>
Net decrease in cash and cash equivalents	(162,530)	(29,198)
cash and cash equivalents, beginning of year	<u>690,460</u>	<u>475,677</u>
cash and cash equivalents, end of year	<u>\$ 527,930</u>	<u>\$ 446,479</u>
supplemental disclosures of cash flow information:		
Interest paid	\$ 16,086	\$ 16,144
supplemental disclosures of non cash information:		
Decrease in payables for property and equipment	\$ (1,934)	\$ (2,526)
Equity transfers from related parties, net	2,869	5,897

All information is preliminary and subject to change.

**Stanford Health Care
Historical Utilization Statistics
For the Three Month Periods Ended
November 30, 2016 and 2015**

	Three Months Ended November 30,	
	2016	2015
Discharges		
Acute	6,181	6,321
Behavioral Health	190	186
Total	6,371	6,507
Patient Days		
Acute	36,740	35,827
Behavioral Health	2,394	2,486
subtotal	39,134	38,313
Short Stay OP	5,215	3,442
Total	44,349	41,755
Average Daily Census		
Acute	403.7	393.7
Behavioral Health	26.3	27.3
Total	430.0	421.0
Average Length of Stay		
Acute	5.94	5.67
Behavioral Health	12.60	13.37
Total	6.1	5.9
Case Mix Index	2.43	2.32
Emergency room visits*	17,695	17,056
Short Stay OP procedures	10,197	9,211
Other Outpatient visits	188,415	159,528
Surgeries		
Inpatient	3,370	3,479
Outpatient	5,580	4,748
Total	8,950	8,227

Source: Corporation records

* ER visits include patients who got admitted as inpatients.

All information is preliminary and subject to change.

APPENDIX A

Bond Issues and Related CUSIP Numbers

**California Health Facilities Financing Authority
Refunding Revenue Bonds
(Stanford Hospital and Clinics)
2008 Series A-1**

CUSIP	Maturity Date	Interest Rate (%)	Original Principal Amount
13033LHL4	11/15/2017	4.00	425,000
13033LHM2	11/15/2018	4.00	475,000
13033LHN0	11/15/2019	4.00	225,000
13033LHP5	11/15/2020	4.00	675,000
13033LHR1	11/15/2021	4.00	300,000
13033LHQ3	11/15/2040	5.15	65,310,000

California Health Facilities Financing Authority
Refunding Revenue Bonds
(Stanford Hospital and Clinics)
2008 Series A-2

CUSIP	Maturity Date	Interest Rate (%)	Original Principal Amount
13033LNB9	11/15/2017	4.00	625,000
13033LNC7	11/15/2018	4.00	700,000
13033LND5	11/15/2019	4.00	325,000
13033LNE3	11/15/2020	5.00	1,000,000
13033LNF0	11/15/2021	5.00	450,000
13033LNG8	11/15/2040	5.25	96,625,000

California Health Facilities Financing Authority
Refunding Revenue Bonds
(Stanford Hospital and Clinics)
2008 Series A-3

CUSIP	Maturity Date	Interest Rate (%)	Original Principal Amount
13033LNP8	11/15/2017	4.00	525,000
13033LNQ6	11/15/2018	3.00	550,000
13033LNR4	11/15/2019	4.00	275,000
13033LNS2	11/15/2020	5.00	800,000
13033LNT0	11/15/2021	4.00	375,000
13033LNU7	11/15/2040	5.50	78,090,000

**California Health Facilities Financing Authority
Refunding Revenue Bonds
(Stanford Hospital and Clinics)
2008 Series B-2-1**

CUSIP	Maturity Date	Current Commercial Paper Interest Rate (%)	Original Principal Amount
13033LNX1	11/15/2045	0.73	\$ 42,050,000

California Health Facilities Financing Authority
Refunding Revenue Bonds
(Stanford Hospital and Clinics)
2008 Series B-2-2

CUSIP	Maturity Date	Current Commercial Paper Interest Rate (%)	Original Principal Amount
13033LNY9	11/15/2045	0.70	\$ 42,050,000

California Health Facilities Financing Authority
Refunding Revenue Bonds
(Stanford Hospital and Clinics)
2010 Series A

CUSIP	Maturity Date	Interest Rate (%)	Original Principal Amount
13033LHY6	11/15/2017	5.00	5,840,000
13033LHZ3	11/15/2018	5.00	6,130,000
13033LJA6	11/15/2019	5.00	6,435,000
13033LJB4	11/15/2020	5.00	6,760,000
13033LJE8	11/15/2021	5.00	7,095,000
13033LJD0	11/15/2025	5.00	32,105,000
13033LJC2	11/15/2031	5.75	50,000,000
13033LJF5	11/15/2031	5.25	4,950,000

California Health Facilities Financing Authority
Refunding Revenue Bonds
(Stanford Hospital and Clinics)
2010 Series B

CUSIP	Maturity Date	Interest Rate (%)	Original Principal Amount
13033LJJ7	11/15/2025	4.50	\$ 1,715,000
13033LJK4	11/15/2025	5.00	18,180,000
13033LJL2	11/15/2031	5.75	33,000,000
13033LJG3	11/15/2031	5.25	34,515,000
13033LJH1	11/15/2036	5.00	59,300,000

California Health Facilities Financing Authority
Revenue Bonds
(Stanford Hospital and Clinics)
2012 Series A

CUSIP	Maturity Date	Interest Rate (%)	Original Principal Amount
13033LYQ4	08/15/2032	5.00	\$ 1,960,000
13033LYR2	08/15/2042	5.00	43,380,000
13033LYS0	08/15/2051	5.00	294,660,000

**California Health Facilities Financing Authority
Revenue Bonds
(Stanford Hospital and Clinics)
2012 Series B**

CUSIP	Maturity Date	Interest Rate (%)	Original Principal Amount
13033LYX9	08/15/2017	5.00	6,105,000
13033LYY7	08/15/2018	3.00	2,000,000
13033LZG5	08/15/2018	5.00	3,920,000
13033LYZ4	08/15/2019	5.00	6,650,000
13033LZA8	08/15/2020	4.00	2,500,000
13033LZH3	08/15/2020	5.00	4,475,000
13033LZB6	08/15/2021	4.00	6,810,000
13033LZC4	08/15/2022	4.00	875,000
13033LZJ9	08/15/2022	5.00	6,680,000
13033LZD2	08/15/2023	5.00	7,430,000

California Health Facilities Financing Authority
Revenue Bonds
(Stanford Hospital and Clinics)
2012 Series C

CUSIP	Maturity Date	Initial Windows Spread to SIFMA (%)	Original Principal Amount
13033LZN0	08/15/2051	0.91	\$ 60,000,000

California Health Facilities Financing Authority
Revenue Bonds
(Stanford Health Care)
2015 Series A

CUSIP	Maturity Date	Interest Rate (%)	Original Principal Amount
13033L8Q3	08/15/2052	4.25	\$ 25,000,000
13033L8P5	08/15/2054	5.00	\$ 75,000,000