



Stanford
HEALTH CARE

STANFORD MEDICINE

**Quarterly Financial Disclosure
For the Six Month Periods Ended
February 28, 2017 and February 29, 2016**

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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 Six-month periods ended February 28, 2017 and February 29, 2016:

- 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 February 28, 2017, and February 29, 2016
(In Thousands)

	<u>2017</u>	<u>2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 610,326	\$ 528,433
Short term investments	206,414	101,373
Patient accounts receivable, net of allowance for doubtful accounts of \$198,000 at February 28, 2017 and \$161,000 at August 31, 2016	635,454	579,148
Other receivables	65,308	85,518
Inventories	46,873	46,271
Prepaid expenses and other	39,862	38,988
Total current assets	<u>1,604,237</u>	<u>1,379,731</u>
Investments	139,639	131,914
Investments in University managed pools	1,224,330	1,312,432
Assets limited as to use, held by trustee	145,612	443,200
Property and equipment, net	2,622,306	2,167,858
Other assets	156,203	153,474
Total assets	<u>\$ 5,892,327</u>	<u>\$ 5,588,609</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 329,617	\$ 314,966
Accrued salaries and related benefits	235,766	204,323
Due to related parties	35,226	32,103
Third-party payor settlements	20,186	17,898
Current portion of long-term debt	13,520	13,074
Debt subject to short-term remarketing arrangements	228,200	228,200
Self-insurance reserves and other	43,590	36,387
Total current liabilities	<u>906,105</u>	<u>846,951</u>
Self-insurance reserves and other, net of current portion	124,263	126,711
Other long-term liabilities	253,176	304,073
Pension liability	67,197	56,398
Long-term debt, net of current portion	1,207,806	1,228,546
Total liabilities	<u>2,558,547</u>	<u>2,562,679</u>
Net assets:		
Unrestricted:		
Stanford Health Care	2,703,470	2,425,061
Noncontrolling interests	19,538	20,286
Total unrestricted	<u>2,723,008</u>	<u>2,445,347</u>
Temporarily restricted	602,628	572,689
Permanently restricted	8,144	7,894
Total net assets	<u>3,333,780</u>	<u>3,025,930</u>
Total liabilities and net assets	<u>\$ 5,892,327</u>	<u>\$ 5,588,609</u>

All information is preliminary and subject to change.

Stanford Health Care
Consolidated Statement of Operations and
Changes in Net Assets – Unaudited
For the Six Month Periods Ended February 28, 2017 and February 29, 2016
(In Thousands)

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Net patient service revenue	\$ 2,149,496	\$ 1,974,814
Provision for doubtful accounts	(66,496)	(54,260)
Net patient service revenue less provision for doubtful accounts	2,083,000	1,920,554
Premium revenue	40,274	32,817
Other revenue	63,214	57,873
Net assets released from restrictions used for operations	3,514	3,025
Total operating revenues	<u>2,190,002</u>	<u>2,014,269</u>
Operating expenses:		
Salaries and benefits	982,266	887,306
Professional services	22,037	19,381
Supplies	286,747	257,568
Purchased services	564,243	513,744
Depreciation and amortization	71,738	66,381
Interest	21,595	19,814
Other	194,271	183,621
Expense recoveries from related parties	(53,123)	(50,933)
Total operating expenses	<u>2,089,774</u>	<u>1,896,882</u>
Income from operations	100,228	117,387
Interest and investment income	6,487	10,024
Increase (decrease) in value of University managed pools	56,322	(51,258)
Interest rate swaps mark to market adjustments	104,031	(70,209)
Excess of revenues over expenses	267,068	5,944
Other changes in unrestricted net assets:		
Transfer to Stanford University, net	(14,092)	(43,654)
Transfer to Lucile Salter Packard Children's Hospital	-	(3,300)
Change in net unrealized gains on investments	552	(5,042)
Net assets released from restrictions used for:		
Purchase of property and equipment	9	220
Change in pension and postretirement liability	-	1,807
Noncontrolling capital contributions (distributions), net	301	(1,000)
Increase (decrease) in unrestricted net assets	<u>253,838</u>	<u>(45,025)</u>
Changes in temporarily restricted net assets:		
Transfer from Stanford University	2,190	2,122
Contributions and other	24,697	13,710
Investment income	306	279
Gains (losses) on University managed pools	1,872	(1,819)
Net assets released from restrictions used for:		
Operations	(3,514)	(3,025)
Purchase of property and equipment	(9)	(220)
Increase in temporarily restricted net assets	<u>25,542</u>	<u>11,047</u>
Changes in permanently restricted net assets:		
Contributions	250	200
Increase in permanently restricted net assets	<u>250</u>	<u>200</u>
Increase (decrease) in net assets	279,630	(33,778)
Net assets, beginning of year	<u>3,054,150</u>	<u>3,059,708</u>
Net assets, end of year	<u>\$ 3,333,780</u>	<u>\$ 3,025,930</u>

All information is preliminary and subject to change.

Stanford Health Care
Consolidated Statement of Cash Flows – Unaudited
For the Six Month Periods Ended
February 28, 2017 and February 29, 2016
(In Thousands)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in Stanford Health Care net assets	\$ 280,225	\$ (31,085)
Change in noncontrolling interests	(595)	(2,693)
Total change in net assets	<u>279,630</u>	<u>(33,778)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	70,944	65,409
Provision for doubtful accounts	66,496	54,260
Change in fair value of interest rate swaps	(104,031)	70,209
(Increase) decrease in value of University managed pools	(56,322)	51,258
Unrealized (gains) losses on investments	(2,386)	6,875
Realized losses on investments	794	-
Contributions received for long lived assets or endowment and net equity transfers to/from related parties	(8,219)	37,746
Changes in operating assets and liabilities:		
Patient accounts receivable	(142,017)	(82,687)
Due to related parties	(24,907)	(30,896)
Other receivables, inventory, other assets, prepaid expenses and other	12,610	(19,838)
Accounts payable, accrued liabilities and pension liabilities	519	42,670
Accrued salaries and related benefits	(1,053)	1,464
Third-party payor settlements	(2,762)	8,880
Self-insurance reserves	<u>5,627</u>	<u>7,816</u>
Cash provided by operating activities	<u>94,923</u>	<u>179,388</u>
Cash flows from investing activities:		
Purchases of investments	(135,132)	(41,170)
Sales of investments	24,711	32,379
Purchases of investments in University managed pools	(394)	(305)
Sales of investments in University managed pools	150,735	75,133
Decrease in assets limited as to use and other	90,176	137,501
Purchases of property and equipment	<u>(295,766)</u>	<u>(312,936)</u>
Cash used in investing activities	<u>(165,670)</u>	<u>(109,398)</u>
Cash flows from financing activities:		
Payment of long-term debt and capital lease obligations	(12,088)	(8,648)
Contributions received for long lived assets or endowment and net equity transfers to/from related parties	<u>2,701</u>	<u>(8,586)</u>
Cash used in financing activities	<u>(9,387)</u>	<u>(17,234)</u>
Net (decrease) increase in cash and cash equivalents	(80,134)	52,756
Cash and cash equivalents, beginning of year	<u>690,460</u>	<u>475,677</u>
Cash and cash equivalents, end of year	<u>\$ 610,326</u>	<u>\$ 528,433</u>
Supplemental disclosures of cash flow information:		
Interest paid	\$ 22,319	\$ 20,747
Supplemental disclosures of non cash information:		
Decrease in payables for property and equipment	\$ (3,755)	\$ (5,459)
Equity transfers from related parties, net	362	1,826
Assets acquired under capital leases	379	21

All information is preliminary and subject to change.

**Stanford Health Care
Historical Utilization Statistics
For the Six Month Periods Ended
February 28, 2017 and February 29, 2016**

	<u>2017</u>	<u>2016</u>
Discharges		
Acute	12,382	12,486
Behavioral Health	381	351
Total	<u>12,763</u>	<u>12,837</u>
Patient Days		
Acute	73,990	72,232
Behavioral Health	4,758	5,025
subtotal	<u>78,748</u>	<u>77,257</u>
Short Stay OP	11,183	10,217
Total	<u>89,931</u>	<u>87,474</u>
Average Daily Census		
Acute	408.8	396.9
Behavioral Health	26.3	27.6
Total	<u>435.1</u>	<u>424.5</u>
Average Length of Stay		
Acute	5.98	5.79
Behavioral Health	12.49	14.32
Total	<u>6.17</u>	<u>6.02</u>
Case Mix Index	2.40	2.37
Emergency room visits*	36,213	35,060
Short Stay OP procedures	20,008	18,093
Other Outpatient visits	371,125	325,666
Surgeries		
Inpatient	6,734	6,760
Outpatient	10,915	9,803
Total	<u>17,649</u>	<u>16,563</u>

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	0.72	\$ 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
13033LZS0	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	0.08	\$ 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