



**Quarterly Financial Disclosure
For the Nine Month Periods Ended
May 31, 2017 and 2016**

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Stanford

HEALTH CARE

STANFORD MEDICINE

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 nine month periods ended May 31, 2017 and 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.

For further information, please contact:

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All information is preliminary and subject to change.

Stanford Health Care
Consolidated Balance Sheet - Unaudited
As of May 31, 2017 and 2016
(In Thousands)

	<u>2017</u>	<u>2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 675,096	\$ 557,847
Short term investments	232,275	102,994
Patient accounts receivable, net of allowance for doubtful accounts of \$200,000 and \$158,000 at May 31, 2017 and 2016, respectively	646,246	578,142
Other receivables	60,240	74,249
Inventories	47,010	43,449
Prepaid expenses and other	43,152	33,968
Total current assets	<u>1,704,019</u>	<u>1,390,649</u>
Investments	145,925	134,026
Investments in University managed pools	1,273,261	1,359,888
Assets limited as to use, held by trustee	112,139	375,145
Property and equipment, net	2,725,258	2,288,590
Other assets	145,100	144,300
Total assets	<u>\$ 6,105,702</u>	<u>\$ 5,692,598</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 335,027	\$ 342,663
Accrued salaries and related benefits	220,845	205,587
Due to related parties	34,822	24,591
Third-party payor settlements	24,555	21,312
Current portion of long-term debt	13,520	13,080
Revolving line of credit	100,000	-
Debt subject to short-term remarketing arrangements	228,200	228,200
Self-insurance reserves and other	43,994	36,343
Total current liabilities	<u>1,000,963</u>	<u>871,776</u>
Self-insurance reserves and other, net of current portion	122,248	126,332
Other long-term liabilities	264,950	303,439
Pension liability	68,064	56,852
Long-term debt, net of current portion	1,195,982	1,227,721
Total liabilities	<u>2,652,207</u>	<u>2,586,120</u>
Net assets:		
Unrestricted:		
Stanford Health Care	2,819,644	2,501,868
Noncontrolling interests	20,665	22,294
Total unrestricted	<u>2,840,309</u>	<u>2,524,162</u>
Temporarily restricted	605,042	574,422
Permanently restricted	8,144	7,894
Total net assets	<u>3,453,495</u>	<u>3,106,478</u>
Total liabilities and net assets	<u>\$ 6,105,702</u>	<u>\$ 5,692,598</u>

All information is preliminary and subject to change.

Stanford Health Care
Consolidated Statement of Operations and
Changes in Net Assets – Unaudited
For the Nine Month Periods Ended May 31, 2017 and 2016
(In Thousands)

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Net patient service revenue	\$ 3,235,057	\$ 3,019,062
Provision for doubtful accounts	(72,722)	(92,862)
Net patient service revenue less provision for doubtful accounts	3,162,335	2,926,200
Premium revenue	60,201	51,557
Other revenue	96,774	90,802
Net assets released from restrictions used for operations	5,929	4,557
Total operating revenues	<u>3,325,239</u>	<u>3,073,116</u>
Operating expenses:		
Salaries and benefits	1,484,650	1,366,927
Professional services	30,121	31,607
Supplies	436,398	395,385
Purchased services	851,683	797,896
Depreciation and amortization	112,752	101,339
Interest	32,539	29,760
Other	275,342	275,882
Expense recoveries from related parties	(81,959)	(76,370)
Total operating expenses	<u>3,141,526</u>	<u>2,922,426</u>
Income from operations	183,713	150,690
Interest and investment income	11,146	8,908
Increase (decrease) in value of University managed pools	103,321	(5,381)
Interest rate swaps mark to market adjustments	92,083	(69,525)
Excess of revenues over expenses	390,263	84,692
Other changes in unrestricted net assets:		
Transfer to Stanford University, net	(21,017)	(49,950)
Transfer to Lucile Salter Packard Children's Hospital	-	(3,300)
Change in net unrealized gains on investments	712	856
Net assets released from restrictions used for:		
Purchase of property and equipment	880	685
Change in pension and postretirement liability	-	1,807
Noncontrolling capital contributions (distributions), net	301	(1,000)
Increase in unrestricted net assets	<u>371,139</u>	<u>33,790</u>
Changes in temporarily restricted net assets:		
Transfer from Stanford University	2,333	2,355
Contributions and other	28,108	15,407
Investment income	548	693
Gains (losses) on University managed pools	3,776	(433)
Net assets released from restrictions used for:		
Operations	(5,929)	(4,557)
Purchase of property and equipment	(880)	(685)
Increase in temporarily restricted net assets	<u>27,956</u>	<u>12,780</u>
Changes in permanently restricted net assets:		
Contributions	250	200
Increase in permanently restricted net assets	<u>250</u>	<u>200</u>
Increase in net assets	399,345	46,770
Net assets, beginning of year	<u>3,054,150</u>	<u>3,059,708</u>
Net assets, end of year	<u>\$ 3,453,495</u>	<u>\$ 3,106,478</u>

All information is preliminary and subject to change.

Stanford Health Care
Consolidated Statement of Cash Flows – Unaudited
For the Nine Month Periods Ended
May 31, 2017 and 2016
(In Thousands)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in Stanford Health Care net assets	\$ 398,813	\$ 47,455
Change in noncontrolling interests	532	(685)
Total change in net assets	<u>399,345</u>	<u>46,770</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	111,363	99,885
Provision for doubtful accounts	72,722	92,862
Change in fair value of interest rate swaps	(92,083)	69,525
(Increase) decrease in value of University managed pools	(103,321)	5,381
Unrealized gains on investments	(4,260)	(405)
Realized losses on investments	460	-
Contributions received for long lived assets or endowment and net equity transfers to/from related parties	(3,953)	41,946
Changes in operating assets and liabilities:		
Patient accounts receivable	(159,035)	(120,283)
Due to related parties	(25,006)	(25,010)
Other receivables, inventory, other assets, prepaid expenses and other	12,098	(5,623)
Accounts payable, accrued liabilities and pension liabilities	7,515	60,368
Accrued salaries and related benefits	(15,974)	2,728
Third-party payor settlements	1,607	12,294
Self-insurance reserves	4,016	7,393
Cash provided by operating activities	<u>205,494</u>	<u>287,831</u>
Cash flows from investing activities:		
Purchases of investments	(171,645)	(48,741)
Sales of investments	29,567	42,115
Purchases of investments in University managed pools	(649)	(555)
Sales of investments in University managed pools	150,776	75,186
Decrease in assets limited as to use and other	123,649	205,556
Purchases of property and equipment	(440,564)	(456,563)
Cash used in investing activities	<u>(308,866)</u>	<u>(183,002)</u>
Cash flows from financing activities:		
Proceeds from issuance of debt	100,000	-
Costs of issuance of debt	(30)	-
Payment of long-term debt and capital lease obligations	(12,175)	(10,389)
Contributions received for long lived assets or endowment and net equity transfers to/from related parties	213	(12,270)
Cash provided by (used in) financing activities	<u>88,008</u>	<u>(22,659)</u>
Net (decrease) increase in cash and cash equivalents	(15,364)	82,170
Cash and cash equivalents, beginning of year	<u>690,460</u>	<u>475,677</u>
Cash and cash equivalents, end of year	<u>\$ 675,096</u>	<u>\$ 557,847</u>
Supplemental disclosures of cash flow information:		
Interest paid	\$ 39,458	\$ 36,834
Supplemental disclosures of non cash information:		
(Decrease) increase in payables for property and equipment	\$ (4,660)	\$ 6,566
Equity transfers from related parties, net	396	15,132
Assets acquired under capital leases	725	1,632

All information is preliminary and subject to change.

**Stanford Health Care
Historical Utilization Statistics
For the Nine Month Periods Ended
May 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Discharges		
Acute	18,857	18,836
Behavioral Health	582	515
Total	<u>19,439</u>	<u>19,351</u>
Patient Days		
Acute	110,280	108,872
Behavioral Health	7,135	7,621
subtotal	<u>117,415</u>	<u>116,493</u>
Short Stay OP	18,515	14,497
Total	<u>135,930</u>	<u>130,990</u>
Average Daily Census		
Acute	404.0	397.3
Behavioral Health	26.1	27.8
Total	<u>430.1</u>	<u>425.2</u>
Average Length of Stay		
Acute	5.8	5.8
Behavioral Health	12.3	14.8
Total	<u>6.04</u>	<u>6.02</u>
Case Mix Index	2.43	2.38
Emergency room visits*	55,672	53,764
Short Stay OP procedures	30,508	27,874
Other Outpatient visits	571,235	511,754
Surgeries		
Inpatient	10,197	10,186
Outpatient	16,896	15,139
Total	<u>17,649</u>	<u>25,325</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	0.93	\$ 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	0.95	\$ 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