



**Quarterly Financial Disclosure  
For the Six Month Periods Ended  
February 28, 2019 and 2018**

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# Stanford

## HEALTH CARE

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### 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 Six-month periods ended February 28, 2019 and 2018:

- 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.
- Continuing Disclosure Agreement dated December 28, 2017, relating to the original issue of \$454,200,000 California Health Facilities Financing Authority Refunding Revenue Bonds (Stanford Health Care), 2017 Series A.



# Stanford

## HEALTH CARE

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### STANFORD MEDICINE

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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**Stanford Health Care**  
**Consolidated Balance Sheet - Unaudited**  
**As of February 28, 2019 and 2018**  
**(In Thousands)**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 598,476	\$ 880,553
Assets limited as to use, held by trustee	93	-
Short term investments	294,910	336,770
Patient accounts receivable <sup>(1)</sup>	668,264	591,458
Other receivables	82,891	107,156
Inventories	62,378	54,840
Prepaid expenses and other	62,179	53,626
Total current assets	<u>1,769,191</u>	<u>2,024,403</u>
Investments	611,659	285,299
Investments at equity	91,600	73,200
Investments in University managed pools	1,399,143	1,347,928
Property and equipment, net	3,455,132	3,069,661
Other assets	101,142	102,378
Total assets	<u>\$ 7,427,867</u>	<u>\$ 6,902,869</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 510,559	\$ 480,884
Accrued salaries and related benefits	247,693	244,558
Due to related parties	6,479	18,841
Third-party payor settlements	36,538	17,881
Current portion of long-term debt	13,910	13,775
Debt subject to short-term remarketing arrangements	228,200	228,200
Self-insurance reserves and other	55,727	43,083
Total current liabilities	<u>1,099,106</u>	<u>1,047,222</u>
Self-insurance reserves and other, net of current portion	145,536	138,805
Swap liability	189,863	185,332
Other long-term liabilities	133,108	31,626
Pension liability	6,766	16,902
Long-term debt, net of current portion	1,702,140	1,721,848
Total liabilities	<u>3,276,519</u>	<u>3,141,735</u>
Net assets:		
Unrestricted:		
Stanford Health Care	3,451,865	3,112,984
Noncontrolling interests	24,780	22,705
Total unrestricted	<u>3,476,645</u>	<u>3,135,689</u>
Temporarily restricted	665,470	617,212
Permanently restricted	9,233	8,233
Total net assets	<u>4,151,348</u>	<u>3,761,134</u>
Total liabilities and net assets	<u>\$ 7,427,867</u>	<u>\$ 6,902,869</u>

<sup>(1)</sup> ASC 606 was adopted on a modified retrospective basis as of September 1, 2018 and is reflected in the FY2019 balances above.

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, 2019 and 2018**  
**(In Thousands)**

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Net patient service revenue		\$ 2,285,988
Provision for doubtful accounts		(23,981)
Net patient service revenue less provision for doubtful accounts <sup>(1)</sup>	\$ 2,471,039	2,262,007
Premium revenue	48,382	44,631
Other revenue	73,506	68,257
Net assets released from restrictions used for operations	6,691	3,292
Total operating revenues	<u>2,599,618</u>	<u>2,378,187</u>
Operating expenses:		
Salaries and benefits	1,101,418	1,004,512
Professional services	19,254	18,940
Supplies	337,058	313,916
Purchased services	641,494	591,243
Depreciation and amortization	95,197	84,511
Interest	20,998	14,354
Other	229,968	220,673
Expense recoveries from related parties	(66,145)	(61,203)
Total operating expenses	<u>2,379,242</u>	<u>2,186,946</u>
Income from operations	220,376	191,241
Interest and investment income	22,988	9,797
Earnings on equity method investments	3,575	1,479
(Decrease) increase in value of University managed pools	(1,184)	59,978
Swap interest and change in value of swap agreements	(13,633)	52,400
Loss on extinguishment of debt	-	(48,541)
Excess of revenues over expenses	<u>232,122</u>	<u>266,354</u>
Other changes in unrestricted net assets:		
Transfer to Stanford University	(56,361)	(21,382)
Change in net unrealized gains on investments	(3,253)	(1,265)
Net assets released from restrictions used for:		
Purchase of property and equipment	12	20
Noncontrolling capital distribution	-	(1,211)
Increase in unrestricted net assets	<u>172,520</u>	<u>242,516</u>
Changes in temporarily restricted net assets:		
Transfer from Stanford University	5	97
Contributions and other	23,638	16,257
Investment income	382	277
(Losses) gains on University managed pools	(678)	642
Net assets released from restrictions used for:		
Operations	(6,691)	(3,292)
Purchase of property and equipment	(12)	(20)
Increase in temporarily restricted net assets	<u>16,644</u>	<u>13,961</u>
Changes in permanently restricted net assets:		
Contributions	1,000	89
Increase in permanently restricted net assets	<u>1,000</u>	<u>89</u>
Increase in net assets	190,164	256,566
Net assets, beginning of year	<u>3,961,184</u>	<u>3,504,568</u>
Net assets, end of year	<u>\$ 4,151,348</u>	<u>\$ 3,761,134</u>

<sup>(1)</sup> ASC 606 was adopted on a modified retrospective basis as of September 1, 2018 and is reflected in the FY2019 balances above.

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, 2019 and 2018**  
**(In Thousands)**

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Change in Stanford Health Care net assets	\$ 184,111	\$ 255,921
Change in noncontrolling interests	6,053	645
Total change in net assets	<u>190,164</u>	<u>256,566</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on extinguishment of debt	-	48,541
Depreciation and amortization	94,415	83,170
Provision for doubtful accounts <sup>(1)</sup>	-	23,981
Change in fair value of interest rate swaps	7,336	(60,633)
Decrease (increase) in value of University managed pools	1,184	(59,978)
Unrealized losses on investments	4,081	565
(Excess) deficit of income of equity method investees over distributions received	(7,282)	293
Contributions received for long lived assets or endowment	(19,765)	(13,901)
Net equity transfers to/from related parties	56,356	21,285
Premiums received from bond issuance	-	76,138
Changes in operating assets and liabilities:		
Patient accounts receivable <sup>(1)</sup>	(45,187)	(4,705)
Due to related parties	(59,117)	(53,533)
Other receivables, inventory, other assets, prepaid expenses and other	(37,302)	(51,446)
Accounts payable, accrued liabilities and pension liabilities	46,318	99,929
Accrued salaries and related benefits	38,203	(11,201)
Third-party payor settlements	2,064	(268)
Self-insurance reserves	6,489	5,218
Cash provided by operating activities	<u>277,957</u>	<u>360,021</u>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(143,680)	(314,939)
Sales of investments	134,776	36,812
Purchases of investments at equity	(4,378)	(5,641)
Purchases of investments in University managed pools	(1,091)	(92)
Sales of investments in University managed pools	925	25
Swap settlement payments, net	(6,401)	-
(Increase) decrease in assets limited as to use and other	(93)	58,134
Purchases of property and equipment	(240,022)	(246,661)
Cash used in investing activities	<u>(259,964)</u>	<u>(472,362)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of debt	-	954,200
Repayment on revolver	-	(135,000)
Costs of issuance of debt	(183)	(6,867)
Payment of long-term debt and capital lease obligations	(7,915)	(538,029)
Contributions received for long lived assets or endowment	24,705	29,841
Net equity transfers to/from related parties	(88,380)	(21,360)
Cash (used in) provided by financing activities	<u>(71,773)</u>	<u>282,785</u>
Net (decrease) increase in cash and cash equivalents	(53,780)	170,444
Cash and cash equivalents, beginning of year	<u>652,256</u>	<u>710,109</u>
Cash and cash equivalents, end of year	<u>\$ 598,476</u>	<u>\$ 880,553</u>
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid, net of amounts capitalized	\$ 21,875	\$ 16,708
<b>Supplemental disclosures of non cash information:</b>		
Increase in payables for property and equipment	\$ 31,186	\$ 38,092
Equity transfers from related parties, net	3,064	202
Assets and liabilities acquired under capital leases	-	346

(1) ASC 606 was adopted on a modified retrospective basis as of September 1, 2018 and is reflected in the FY2019 balances above.

All information is preliminary and subject to change.

**Stanford Health Care  
Historical Utilization Statistics  
For the Six Month Periods Ended  
February 28, 2019 and 2018**

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		<b>Three Months Ended February,</b>	
		<b>2019</b>	<b>2018</b>
<b>Discharges</b>			
	Acute	12,924	12,978
	Behavioral Health	432	399
	<b>Total</b>	<b>13,356</b>	<b>13,377</b>
<b>Patient Days</b>			
	Acute	72,807	71,056
	Behavioral Health	4,480	4,463
	<b>subtotal</b>	<b>77,287</b>	<b>75,519</b>
	Short Stay OP	7,317	7,416
	<b>Total</b>	<b>84,604</b>	<b>82,935</b>
<b>Average Daily Census</b>			
	Acute	402.2	392.6
	Behavioral Health	24.8	24.7
	<b>Total</b>	<b>427.0</b>	<b>417.2</b>
<b>Average Length of Stay</b>			
	Acute	5.6	5.5
	Behavioral Health	10.4	11.2
	<b>Total</b>	<b>5.8</b>	<b>5.6</b>
<b>Case Mix Index</b>			
		2.44	2.43
<b>Emergency room visits*</b>		38,346	38,511
<b>Short Stay OP procedures</b>		21,819	21,376
<b>Other Outpatient visits</b>		412,266	388,634
<b>Surgeries</b>			
	Inpatient	6,339	6,512
	Outpatient	11,801	11,763
	<b>Total</b>	<b>18,140</b>	<b>18,275</b>

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**

<b>CUSIP</b>	<b>Maturity Date</b>	<b>Interest Rate (%)</b>	<b>Original Principal Amount</b>
13033LHN0	11/15/2019	4.00	225,000
13033LHP5	11/15/2020	4.00	675,000

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

<b>CUSIP</b>	<b>Maturity Date</b>	<b>Interest Rate (%)</b>	<b>Original Principal Amount</b>
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

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

<b>CUSIP</b>	<b>Maturity Date</b>	<b>Interest Rate (%)</b>	<b>Original Principal Amount</b>
13033LNR4	11/15/2019	4.00	275,000
13033LNS2	11/15/2020	5.00	800,000
13033LNT0	11/15/2021	4.00	375,000

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

<b>CUSIP</b>	<b>Maturity Date</b>	<b>Current Commercial Paper Interest Rate (%)</b>	<b>Original Principal Amount</b>
13033LNX1	11/15/2045	1.67	\$ 42,050,000

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

<b>CUSIP</b>	<b>Maturity Date</b>	<b>Current Commercial Paper Interest Rate (%)</b>	<b>Original Principal Amount</b>
13033LNY9	11/15/2045	1.70	\$ 42,050,000

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

<b>CUSIP</b>	<b>Maturity Date</b>	<b>Interest Rate (%)</b>	<b>Original Principal Amount</b>
13033LJA6	11/15/2019	5.00	6,435,000
13033LJB4	11/15/2020	5.00	6,760,000

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

<b>CUSIP</b>	<b>Maturity Date</b>	<b>Interest Rate (%)</b>	<b>Original Principal Amount</b>
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**

<b>CUSIP</b>	<b>Maturity Date</b>	<b>Interest Rate (%)</b>	<b>Original Principal Amount</b>
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**

<b>CUSIP</b>	<b>Maturity Date</b>	<b>Initial Windows Spread to SIFMA (%)</b>	<b>Original Principal Amount</b>
13033LZN0	08/15/2051	0.08	\$ 60,000,000

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

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

**California Health Facilities Financing Authority  
Refunding Revenue Bonds  
(Stanford Health Care)  
2017 Series A**

<b>CUSIP</b>	<b>Maturity Date</b>	<b>Interest Rate (%)</b>	<b>Original Principal Amount</b>
13032UPY8	11/15/2021	5.00	\$7,125,000
13032UPZ5	11/15/2022	5.00	\$9,635,000
13032UQA9	11/15/2023	5.00	\$13,475,000
13032UQB7	11/15/2024	5.00	\$17,615,000
13032UQC5	11/15/2025	5.00	\$18,480,000
13032UQD3	11/15/2026	5.00	\$19,320,000
13032UQE1	11/15/2027	5.00	\$20,260,000
13032UQF8	11/15/2028	5.00	\$21,225,000
13032UQG6	11/15/2029	5.00	\$22,270,000
13032UQH4	11/15/2030	5.00	\$23,340,000
13032UQJ0	11/15/2031	5.00	\$24,465,000
13032UQK7	11/15/2032	5.00	\$25,695,000
13032UQL5	11/15/2033	5.00	\$26,805,000
13032UQM3	11/15/2034	5.00	\$23,390,000
13032UQN1	11/15/2035	5.00	\$19,310,000
13032UQP6	11/15/2036	5.00	\$26,160,000
13032UQQ4	11/15/2037	5.00	\$30,225,000
13032UQR2	11/15/2040	4.00	\$105,405,000