



Stanford
HEALTH CARE

STANFORD MEDICINE

**ANNUAL DISCLOSURE REPORT
OF
STANFORD HEALTH CARE
FOR
THE FISCAL YEAR ENDED AUGUST 31, 2019**

DATED DECEMBER 16, 2019

ANNUAL DISCLOSURE REPORT
OF
STANFORD HEALTH CARE
FOR
THE FISCAL YEAR ENDED AUGUST 31, 2019

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I. INTRODUCTION

Pursuant to the following Continuing Disclosure Agreements (the “Disclosure Agreements”) executed and delivered in connection with the related bond issues (the “Bonds”), Stanford Health Care (the “Corporation”) hereby provides its annual disclosure report for the fiscal year ended August 31, 2019 (the “Annual Disclosure Report”):

- Continuing Disclosure Agreement dated June 2, 2008 (the “Series 2008 Disclosure Agreement”) 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 (the “Series 2010 Disclosure Agreement”) 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 (the “Series 2011 Disclosure Agreement”) 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;
- 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.

The Bonds are identified together with their corresponding CUSIPs in Appendix A of this Annual Disclosure Report.

Annual Report

The Corporation’s Annual Disclosure Report includes this Introduction and the attached appendices. This Annual Disclosure Report is filed with the Municipal Securities Rulemaking Board and is located at <http://emma.msrb.org/> in accordance with the Disclosure Agreements and rules promulgated by the Securities Exchange Commission. 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>.

Other Matters

This Annual Disclosure Report is provided solely pursuant to the Disclosure Agreements. The filing of this Annual Disclosure Report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the Corporation or the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the fiscal year to which this Annual Disclosure Report relates (other than as contained in this Annual Disclosure Report), or any other date specified with respect to any of the information contained in this Annual Disclosure Report, or that no other information exists, which may have a bearing on the security for the Bonds, or an investor's decision to buy, sell, or hold the Bonds. The information contained in this Annual Disclosure Report has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this Annual Disclosure Report should be construed as a prediction or representation about future financial performance of the Corporation.

Cautionary Statement Regarding Forward-Looking Statements in this Annual Disclosure Report

Certain statements and information in this Annual Disclosure Report constitute "forward-looking statements." Such statements generally are identifiable by the terminology used, such as "plan," "expect," "estimate," "budget," "assume," or other similar words. Such forward-looking statements include but are not limited to certain interest expense estimates under the caption "DEBT SERVICE REQUIREMENTS" in this Annual Disclosure Report and certain statements in Appendix B attached hereto.

The achievement of the results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Corporation does not plan to issue any updates or revisions to those forward-looking statements if or when changes in its expectations or events, conditions or circumstances, on which such statements are based occur.

Capitalized terms not otherwise defined herein shall have the meanings set forth in the applicable Disclosure Agreement.

Dated: December 16, 2019

STANFORD HEALTH CARE

By: /s/ Linda Hoff
Chief Financial Officer

II. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED AUGUST 31, 2019 AND 2018

The Audited Consolidated Financial Statements of the Corporation and subsidiaries (the “Financial Statements”) for the fiscal year ended August 31, 2019 with comparative data for 2018 are presented in Appendix B. See Note 2 to the Financial Statements for a summary of significant accounting policies.

III. DEBT SERVICE REQUIREMENTS

The table below sets forth, for each year ending August 31, the amounts required to be paid by the Corporation for payment of the principal, whether by payment or maturity or mandatory sinking account redemption, and interest on all the outstanding bonds of the Corporation. Interest on all variable rate bonds has been forecasted based on the respective 20-year averages of SIFMA or 1-month LIBOR.

Fiscal Year Ending August 31	Debt Service									Total Debt Service
	2008 Series A	2008 Series B ⁽¹⁾	2010 Series A & B	2012 Series A & B	2012 Series C & D ⁽¹⁾	2015 Series A	2015 Series B ⁽¹⁾	2017 Series A	Taxable Series 2018 ⁽²⁾	
2020	996,000	2,374,887	6,933,875	25,311,650	2,799,851	4,812,500	1,419,452	21,655,950	27,436,341	93,740,506
2021	2,571,000	2,368,353	6,929,000	24,822,900	2,792,149	4,812,500	1,415,548	21,655,950	27,432,760	94,800,160
2022	843,750	2,371,620	-	25,295,500	2,796,000	4,812,500	1,417,500	28,602,825	27,436,277	93,575,972
2023	-	2,371,620	-	24,801,500	2,796,000	4,812,500	1,417,500	30,693,825	27,431,416	94,324,361
2024	-	2,374,887	-	17,000,000	4,686,149	4,812,500	1,419,452	33,956,075	27,432,703	91,681,766
2025	-	2,368,353	-	17,000,000	4,739,633	4,812,500	1,415,548	37,318,825	27,434,475	95,089,333
2026	-	2,371,620	-	17,000,000	4,787,852	4,812,500	1,417,500	37,281,450	27,431,256	95,102,178
2027	-	2,371,620	-	17,000,000	4,840,834	4,812,500	1,417,500	37,176,450	27,432,478	95,051,382
2028	-	2,374,887	-	17,230,000	4,895,843	4,812,500	1,419,452	37,126,950	27,432,476	95,292,108
2029	-	2,368,353	-	17,318,500	4,958,357	4,812,500	1,415,548	37,054,825	27,435,586	95,363,669
2030	-	2,371,620	-	17,352,000	5,014,718	4,812,500	1,417,500	37,012,450	27,436,145	95,416,933
2031	-	2,371,620	-	17,423,000	5,075,781	4,812,500	1,417,500	36,942,200	27,433,582	95,476,183
2032	-	2,374,887	-	17,479,500	5,143,365	4,812,500	1,419,452	36,872,075	27,432,234	95,534,013
2033	-	2,368,353	-	17,527,000	5,213,815	4,812,500	1,415,548	36,848,075	27,431,342	95,616,634
2034	-	2,371,620	-	17,720,750	5,282,112	4,812,500	1,417,500	36,645,575	27,435,052	95,685,109
2035	-	2,371,620	-	17,938,250	5,354,988	4,812,500	1,417,500	36,428,800	27,432,604	95,757,273
2036	-	2,374,887	-	22,267,750	5,433,784	4,812,500	1,419,452	32,085,400	27,433,241	95,628,993
2037	-	2,368,353	-	22,553,000	5,515,895	4,812,500	1,415,548	32,137,650	27,431,107	96,234,054
2038	-	2,371,620	-	20,015,250	5,599,645	4,812,500	1,417,500	34,793,025	27,435,255	96,444,795
2039	-	2,371,620	-	19,449,250	6,223,169	4,812,500	1,417,500	34,824,500	27,434,735	96,533,275
2040	-	2,374,887	-	19,862,000	6,402,612	4,812,500	1,419,452	34,318,200	27,433,694	96,623,346
2041	-	2,368,353	-	21,985,500	6,849,637	4,812,500	1,415,548	31,869,900	27,431,183	96,732,621
2042	-	33,110,958	-	26,907,750	7,756,050	4,812,500	1,417,500	-	27,431,158	101,435,916
2043	-	33,712,648	-	26,963,000	7,922,662	4,812,500	1,417,500	-	27,432,481	102,260,791
2044	-	34,795,916	-	26,616,500	8,046,770	4,812,500	1,419,452	-	27,434,013	103,125,151
2045	-	36,605,959	-	26,546,750	8,215,216	4,812,500	1,415,548	-	27,434,616	104,030,588
2046	-	36,599,255	-	26,334,250	8,365,123	4,812,500	1,417,500	-	27,433,151	104,961,779
2047	-	-	-	56,609,750	15,067,414	4,812,500	1,417,500	-	27,433,384	105,340,548
2048	-	-	-	56,377,750	15,513,720	4,812,500	1,419,452	-	27,433,989	105,557,412
2049	-	-	-	56,196,250	15,919,437	4,812,500	1,415,548	-	27,433,636	105,777,371
2050	-	-	-	56,002,750	16,347,636	4,812,500	1,417,500	-	27,435,902	106,016,288
2051	-	-	-	55,807,500	16,788,035	4,812,500	1,417,500	-	-	78,825,535
2052	-	-	-	-	-	36,657,500	25,817,078	-	-	62,474,578
2053	-	-	-	-	-	36,652,750	25,973,524	-	-	62,626,274
2054	-	-	-	-	-	36,655,500	26,122,791	-	-	62,778,291
Total	4,410,750	226,000,378	13,862,875	848,715,550	227,144,242	263,965,750	123,273,392	743,301,975	850,438,270	3,301,113,182

(1) Assumes interest on all variable rate bonds and all variable rate swap receipts are based on the respective 20-year averages of SIFMA or 1-month LIBOR

(2) Assumes interest is smoothed as level debt service over 30 years

IV. SELECTED FINANCIAL AND OPERATING DATA WITH RESPECT TO THE FISCAL YEARS ENDED AUGUST 31, 2019 AND 2018

The Selected Financial and Operating Data with Respect to the Fiscal Years Ended August 31, 2019 and 2018 below should be read in conjunction with the Financial Statements and accompanying notes.

The tables below present (i) Historical Utilization, (ii) Historical Consolidated Capitalization, (iii) Liquidity, (iv) Maximum Annual Debt Service Coverage, and (v) Sources of Gross Patient Service Revenue.

(i) Historical Utilization

	Three Months Ended	
	August,	
	2019	2018
Discharges		
Acute	26,371	26,067
Behavioral Health	816	837
Total	27,187	26,904
Patient Days		
Acute	147,372	144,224
Behavioral Health	8,575	9,321
subtotal	155,947	153,545
Short Stay OP	16,181	16,881
Total	172,128	170,426
Average Daily Census		
Acute	403.8	395.1
Behavioral Health	23.5	25.5
Total	427.3	420.7
Average Length of Stay		
Acute	5.59	5.53
Behavioral Health	10.5	11.1
Total	5.74	5.71
Case Mix Index	2.44	2.45
Emergency room visits*	78,650	76,115
Short Stay OP procedures	45,279	44,018
Other Outpatient visits	864,567	805,401
Surgeries		
Inpatient	13,211	12,942
Outpatient	24,770	24,032
Total	37,981	36,974

Source: Corporation records

* ER visits include patients who got admitted as inpatients.

(ii)
Historical Consolidated Capitalization
(Dollars in Thousands)

	Fiscal Years Ended August 31,	
	2019	2018
Debt		
Long-term debt, net of current portion	\$ 1,592,979	\$ 1,711,967
Current portion	114,235	14,505
Debt subject to remarketing	228,200	228,200
Total debt*	1,935,414	1,954,672
Consolidated net assets	3,545,875	3,304,125
Total consolidated capitalization	\$ 5,481,289	\$ 5,258,797
Debt as a Percentage of Total Consolidated Capitalization	35.3%	37.2%

* Includes unamortized original issue premium.

(iii)
Liquidity
(Dollars in Thousands)

	Fiscal Years Ended August 31,	
	2019	2018
Cash and cash equivalents	\$ 505,509	\$ 652,256
Investments	1,155,156	982,084
Investments in University managed pool	1,478,554	1,400,839
Less temporarily and permanently restricted assets	(108,056)	(93,800)
Total liquid assets	\$ 3,031,163	\$ 2,941,379
Days Cash On Hand	229.7	243.3

(iv)
Maximum Annual Debt Service Coverage
(Dollars in Thousands)

	Fiscal Years Ended August 31,	
	2019	2018
Excess of revenues over expenses	\$ 364,460	\$ 470,243
Depreciation and amortization expense	190,283	176,742
Interest expense	42,431	35,434
Change in value of University managed pools	(76,748)	(110,983)
Interest rate swap mark to market adjustment	134,269	(63,439)
Earnings on Equity Method Investments	(8,315)	(7,048)
Loss on extinguishment of debt and swaps	0	47,613
Funds available for debt service	<u>\$646,380</u>	<u>\$548,562</u>
Maximum annual debt service	<u>\$106,016</u>	<u>\$105,984</u>
Maximum Annual Debt Service Coverage	6.1	5.2

(v)
Sources of Gross Patient Service Revenue

	Fiscal Year Ended August 31,	
	2019	2018
Medicare	35.5%	35.5%
Medi-Cal	3.1	2.9
Managed Care – Capitation	-	-
Managed Care – Discounted Fee for Services	55.6	55
Indemnity Insurance, Self-Pay, Other	5.8	6.6
Total	<u>100%</u>	<u>100%</u>

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
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**

CUSIP	Maturity Date	Interest Rate (%)	Original Principal Amount
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**

CUSIP	Maturity Date	Interest Rate (%)	Original Principal Amount
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**

CUSIP	Maturity Date	Current Commercial Paper Interest Rate (%)	Original Principal Amount
13033LNX1	11/15/2045	1.45	\$ 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	1.32	\$ 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
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**

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
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

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

CUSIP	Maturity Date	Interest Rate (%)	Original Principal Amount
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

APPENDIX B

Audited Consolidated Financial Statements
for the Fiscal Years Ended
August 31, 2019 and 2018