



Stanford
HEALTH CARE

STANFORD MEDICINE

**ANNUAL DISCLOSURE REPORT
OF
STANFORD HEALTH CARE
FOR
THE FISCAL YEAR ENDED AUGUST 31, 2017**

DATED JANUARY 16, 2018

ANNUAL DISCLOSURE REPORT
OF
STANFORD HEALTH CARE
FOR
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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, 2017 (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.

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: January 16, 2018

STANFORD HEALTH CARE

By: /s/ Linda Hoff
Chief Financial Officer

II. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED AUGUST 31, 2015 AND 2014

The Audited Consolidated Financial Statements of the Corporation and subsidiaries (the “Financial Statements”) for the fiscal year ended August 31, 2017 with comparative data for 2016 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 the 2008 Series B Bonds during future periods has been estimated at an assumed rate based upon the interest rate exchange agreements in effect as of August 31, 2017.

Fiscal Year Ending August 31	2008 Series A	2008 Series B ⁽¹⁾	2010 Series A & B	2012 Series A & B	2012 Series C & D ⁽²⁾	2015 Series A	2015 Series B ⁽⁴⁾	Revolving Line of Credit ⁽⁵⁾	Total Debt Service
2018	14,600,728	6,100,614	19,707,838	24,845,150	6,333,000	4,812,500	1,890,000	6,173,830	84,463,659
2019	14,687,478	6,100,614	19,698,588	25,319,150	6,333,000	4,812,500	1,890,000	6,735,088	85,576,417
2020	13,739,228	6,109,017	19,689,463	25,311,650	6,341,723	4,812,500	1,892,603	6,735,088	84,631,270
2021	15,314,228	6,092,211	19,684,588	24,822,900	6,324,277	4,812,500	1,887,397	6,735,088	85,673,188
2022	13,880,978	6,100,614	19,673,213	25,295,500	6,333,000	4,812,500	1,890,000	6,735,088	84,720,892
2023	15,140,596	6,100,614	19,664,588	24,801,500	6,333,000	4,812,500	1,890,000	6,735,088	85,477,885
2024	14,498,228	6,109,017	23,568,838	17,000,000	8,229,833	4,812,500	1,892,603	6,735,088	82,846,106
2025	14,467,765	6,092,211	26,957,888	17,000,000	8,226,347	4,812,500	1,887,397	6,735,088	86,179,195
2026	14,360,315	6,100,614	27,027,925	17,000,000	8,229,673	4,812,500	1,890,000	6,735,088	86,156,114
2027	13,741,790	6,100,614	27,543,644	17,000,000	8,230,953	4,812,500	1,890,000	6,735,088	86,054,589
2028	14,976,409	6,109,017	26,258,956	17,230,000	8,236,584	4,812,500	1,892,603	6,735,088	86,251,156
2029	13,584,040	6,092,211	27,579,700	17,318,500	8,233,790	4,812,500	1,887,397	6,735,088	86,243,225
2030	14,741,671	6,100,614	26,380,038	17,352,000	8,235,678	4,812,500	1,890,000	6,735,088	86,247,588
2031	14,298,471	6,100,614	26,752,438	17,423,000	8,235,374	4,812,500	1,890,000	6,735,088	86,247,484
2032	13,652,128	6,109,017	27,329,581	17,479,500	8,243,210	4,812,500	1,892,603	6,735,088	86,253,627
2033	26,394,559	6,092,211	14,562,625	17,527,000	8,238,488	4,812,500	1,887,397	6,735,088	86,249,868
2034	25,440,815	6,100,614	15,313,375	17,720,750	8,241,049	4,812,500	1,890,000	6,735,088	86,254,191
2035	26,028,246	6,100,614	14,508,250	17,938,250	8,241,150	4,812,500	1,890,000	6,735,088	86,254,098
2036	25,152,909	6,109,017	11,043,750	22,267,750	8,247,850	4,812,500	1,892,603	6,735,088	86,261,466
2037	25,226,696	6,092,211	11,018,750	22,553,000	7,662,514	4,812,500	1,887,397	6,735,088	85,988,156
2038	38,901,740	6,100,614	-	20,015,250	7,428,869	4,812,500	1,890,000	6,735,088	85,884,061
2039	38,931,121	6,100,614	-	19,449,250	7,966,126	4,812,500	1,890,000	6,735,088	85,884,699
2040	38,426,928	6,109,017	-	19,862,000	8,055,919	4,812,500	1,892,603	6,735,088	85,894,054
2041	35,978,470	6,092,211	-	21,985,500	8,402,467	4,812,500	1,887,397	6,735,088	85,893,633
2042	-	36,351,487	-	26,907,750	9,209,494	4,812,500	1,890,000	6,735,088	85,906,318
2043	-	36,248,279	-	26,963,000	9,267,550	4,812,500	1,890,000	6,735,088	85,916,417
2044	-	36,597,687	-	26,616,500	9,279,946	4,812,500	1,892,603	6,735,088	85,934,324
2045	-	36,637,350	-	26,546,750	9,327,010	4,812,500	1,887,397	6,735,088	85,946,095
2046	-	36,833,935	-	26,334,250	9,355,059	4,812,500	1,890,000	6,735,088	85,960,832
2047	-	-	-	56,609,750	15,929,580	4,812,500	1,890,000	561,257	79,803,087
2048	-	-	-	56,377,750	16,220,517	4,812,500	1,892,603	-	79,303,371
2049	-	-	-	56,196,250	16,461,149	4,812,500	1,887,397	-	79,357,295
2050	-	-	-	56,002,750	16,719,352	4,812,500	1,890,000	-	79,424,602
2051	-	-	-	55,807,500	16,981,599	4,812,500	1,890,000	-	79,491,599
2052	-	-	-	-	-	36,657,500	26,296,104	-	62,953,604
2053	-	-	-	-	-	36,652,750	26,298,031	-	62,950,781
2054	-	-	-	-	-	36,655,500	26,290,388	-	62,945,888
Total	496,165,534	329,083,474	423,964,031	898,879,850	313,335,128	273,590,750	143,144,524	195,317,543	3,073,480,834

- (1) Assumes interest on the 2008 Series B Variable Rate Bonds is payable at the related interest rate swap rate of 3.627% to maturity
(2) Assumes interest on the 2012 Series C Bonds is payable at the related interest rate swap of 3.365% until 2036, and 2.00% thereafter to maturity;
(3) Assumes interest on the 2012 Series D Bonds is payable at the related interest rate swap of 4.314% to maturity
(4) Assumes that interest on the 2015 Series B Bonds is payable at 2.52% to maturity;
(5) Assumes interest is smoothed as level debt service over 20 years, bearing interest at 2.72%

**IV. SELECTED FINANCIAL AND OPERATING DATA WITH
RESPECT TO THE FISCAL YEARS ENDED AUGUST 31, 2016 AND 2015**

The Selected Financial and Operating Data with Respect to the Fiscal Years Ended August 31, 2017 and 2016 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**

		Fiscal Years Ended August 31,	
		2017	2016
Discharges			
	Acute	25,142	25,075
	Behavioral Health	800	688
	Total	25,942	25,763
Patient Days			
	Acute	145,957	144,428
	Behavioral Health	9,541	10,110
	subtotal	155,498	154,538
	Short Stay OP	16,245	13,780
	Total	171,743	168,318
Average Daily Census			
	Acute	399.9	394.6
	Behavioral Health	26.1	27.6
	Total	426.0	422.2
Average Length of Stay			
	Acute	5.8	5.8
	Behavioral Health	11.9	14.7
	Total	6.0	6.0
Case Mix Index			
		2.45	2.38
Emergency room visits*			
		73,900	71,500
Short Stay OP procedures			
		40,934	38,703
Other Outpatient visits			
		769,291	696,953
Surgeries			
	Inpatient	13,698	13,580
	Outpatient	22,651	20,466
	Total	36,349	34,046

Source: Corporation records

* ER visits include patients who got admitted as inpatients.

(ii)
Historical Consolidated Capitalization
(Dollars in Thousands)

	Fiscal Years Ended August 31,	
	2017	2016
Debt		
Long-term debt, net of current portion	\$ 1,189,529	\$ 1,220,789
Current portion	148,335	13,756
Debt subject to short-term remarketing	228,200	228,200
Total debt*	1,566,064	1,462,745
Consolidated net assets	2,893,173	2,469,170
Total consolidated capitalization	\$ 4,459,237	\$ 3,931,915
Debt as a Percentage of Total Consolidated Capitalization	35.1%	37.2%

* Includes unamortized original issue premium.

(iii)
Liquidity
(Dollars in Thousands)

	Fiscal Years Ended August 31,	
	2017	2016
Cash and cash equivalents	\$ 710,109	\$ 690,460
Investments	411,452	235,900
Investments in University managed pool	1,287,193	1,316,489
Less temporarily and permanently restricted assets	(90,559)	(93,934)
Total liquid assets	\$ 2,318,195	\$ 2,148,915
Days Cash On Hand	208.1	206.3

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

	Fiscal Years Ended August 31,	
	2017	2016
Excess of revenues over expenses	\$ 484,518	\$ 69,904
Depreciation and amortization expense	154,686	136,442
Interest expense	43,643	39,661
Change in value of University managed pools	(84,911)	30,272
Interest rate swap mark to market adjustment	(85,368)	115,958
Earnings on Equity Method Investments	(5,114)	0
Contribution income from ValleyCare affiliation	0	0
Loss on extinguishment of debt and swaps	0	0
Funds available for debt service	<u>\$507,454</u>	<u>\$ 392,237</u>
Maximum annual debt service	<u>\$86,261</u>	<u>\$79,526</u>
Maximum Annual Debt Service Coverage	5.9	4.9

(v)
Sources of Gross Patient Service Revenue

	Fiscal Year Ended August 31,	
	2017	2016
Medicare	35%	34%
Medi-Cal	3	4
Managed Care – Capitation	-	-
Managed Care – Discounted Fee for Services	55	55
Indemnity Insurance, Self-Pay, Other	7	7
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
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	0.86	\$ 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
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
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

APPENDIX B

Audited Consolidated Financial Statements
for the Fiscal Years Ended
August 31, 2017 and 2016