



Stanford

HEALTH CARE

STANFORD MEDICINE

Quarterly Financial Disclosure For the Three Month Periods Ended November 30, 2017 and 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 three month periods ended November 30, 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.

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All information is preliminary and subject to change.

Stanford Health Care
Consolidated Balance Sheet - Unaudited
As of November 30, 2017 and 2016
(In Thousands)

	<u>2018</u>	<u>2017</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 540,647	\$ 527,930
Short term investments	236,031	205,034
Patient accounts receivable, net of allowance for doubtful accounts of \$208,000 and \$194,000 at November 30, 2017 and 2016, respectively	613,100	580,620
Other receivables	70,422	74,122
Inventories	52,896	47,749
Prepaid expenses and other	46,438	42,603
Total current assets	<u>1,559,534</u>	<u>1,478,058</u>
Investments	109,476	132,305
Investments at equity	67,434	-
Investments in University managed pools	1,309,899	1,297,956
Assets limited as to use, held by trustee	27,393	203,539
Property and equipment, net	2,961,830	2,494,047
Other assets	116,323	147,255
Total assets	<u>\$ 6,151,889</u>	<u>\$ 5,753,160</u>
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 378,545	\$ 325,639
Accrued salaries and related benefits	231,853	216,721
Due to related parties	19,571	31,912
Third-party payor settlements	21,416	24,654
Current portion of long-term debt	13,775	13,520
Debt subject to short-term remarketing arrangements	228,200	228,200
Self-insurance reserves and other	45,895	43,298
Total current liabilities	<u>939,255</u>	<u>883,944</u>
Self-insurance reserves and other, net of current portion	133,790	123,686
Other long-term liabilities	251,871	264,734
Pension liability	16,924	66,330
Long-term debt, net of current portion	1,181,129	1,208,342
Total liabilities	<u>2,522,969</u>	<u>2,547,036</u>
Net assets:		
Unrestricted:		
Stanford Health Care	2,992,573	2,586,627
Noncontrolling interests	22,607	20,477
Total unrestricted	<u>3,015,180</u>	<u>2,607,104</u>
Temporarily restricted	605,596	591,126
Permanently restricted	8,144	7,894
Total net assets	<u>3,628,920</u>	<u>3,206,124</u>
Total liabilities and net assets	<u>\$ 6,151,889</u>	<u>\$ 5,753,160</u>

All information is preliminary and subject to change.

Stanford Health Care
Consolidated Statement of Operations and
Changes in Net Assets – Unaudited
For the Three Month Periods Ended November 30, 2017 and 2016
(In Thousands)

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Net patient service revenue	\$ 1,120,653	\$ 1,057,032
Provision for doubtful accounts	(23,148)	(39,600)
Net patient service revenue less provision for doubtful accounts	1,097,505	1,017,432
Premium revenue	21,946	19,608
Other revenue	33,757	32,143
Net assets released from restrictions used for operations	1,856	1,525
Total operating revenues	<u>1,155,064</u>	<u>1,070,708</u>
Operating expenses:		
Salaries and benefits	506,374	496,929
Professional services	9,870	12,833
Supplies	161,203	143,391
Purchased services	296,571	276,252
Depreciation and amortization	42,913	35,336
Interest	10,795	9,890
Other	83,614	94,342
Expense recoveries from related parties	(30,557)	(26,290)
Total operating expenses	<u>1,080,783</u>	<u>1,042,683</u>
Income from operations	74,281	28,025
Interest and investment income	4,228	2,927
Earnings on equity method investments	655	-
Increase in value of University managed pools	22,530	22,472
Interest rate swaps mark to market adjustments	25,956	92,143
Excess of revenues over expenses	<u>127,650</u>	<u>145,567</u>
Other changes in unrestricted net assets:		
Transfer to Stanford University	(6,221)	(7,780)
Change in net unrealized gains on investments	707	(163)
Net assets released from restrictions used for:		
Purchase of property and equipment	-	9
Noncontrolling capital (distributions) contributions	(129)	301
Increase in unrestricted net assets	<u>122,007</u>	<u>137,934</u>
Changes in temporarily restricted net assets:		
Transfer from Stanford University	71	125
Contributions and other	3,831	14,632
Investment income	135	136
Gains on University managed pools	164	681
Net assets released from restrictions used for:		
Operations	(1,856)	(1,525)
Purchase of property and equipment	-	(9)
Increase in temporarily restricted net assets	<u>2,345</u>	<u>14,040</u>
Increase in net assets	124,352	151,974
Net assets, beginning of year	<u>3,504,568</u>	<u>3,054,150</u>
Net assets, end of year	<u>\$ 3,628,920</u>	<u>\$ 3,206,124</u>

All information is preliminary and subject to change.

Stanford Health Care
Consolidated Statement of Cash Flows – Unaudited
For the Three Month Periods Ended
November 30, 2017 and 2016
(In Thousands)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in Stanford Health Care net assets	\$ 123,805	\$ 151,630
Change in noncontrolling interests	547	344
Total change in net assets	<u>124,352</u>	<u>151,974</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	42,479	34,873
Provision for doubtful accounts	23,148	39,600
Change in fair value of interest rate swaps	(25,956)	(92,143)
Increase in value of University managed pools	(22,530)	(22,472)
Unrealized gains on investments	(945)	(518)
Deficit of income of equity method investees over distributions received	1,848	-
Contributions received for long lived assets or endowment and net equity transfers to/from related parties	2,444	(5,858)
Changes in operating assets and liabilities:		
Patient accounts receivable	(25,514)	(60,287)
Due to related parties	(47,116)	(25,897)
Other receivables, inventory, other assets, prepaid expenses and other	(5,776)	13,362
Accounts payable, accrued liabilities and pension liabilities	29,943	(6,457)
Accrued salaries and related benefits	(23,906)	(20,098)
Third-party payor settlements	3,267	1,706
Self-insurance reserves	3,015	4,758
Cash provided by operating activities	<u>78,753</u>	<u>12,543</u>
Cash flows from investing activities:		
Purchases of investments	(6,134)	(109,512)
Sales of investments	6,537	7,910
Purchases of investments at equity	(1,660)	-
Purchases of investments in University managed pools	(27)	(43)
Sales of investments in University managed pools	83	41,729
Decrease in assets limited as to use and other	30,741	32,249
Purchases of property and equipment	(130,443)	(129,355)
Cash used in investing activities	<u>(100,903)</u>	<u>(157,022)</u>
Cash flows from financing activities:		
Borrowing on revolver	(135,000)	-
Payment of long-term debt and capital lease obligations	(7,568)	(12,008)
Contributions received for long lived assets or endowment and net equity transfers to/from related parties	(4,744)	(6,043)
Cash used in financing activities	<u>(147,312)</u>	<u>(18,051)</u>
Net decrease in cash and cash equivalents	(169,462)	(162,530)
Cash and cash equivalents, beginning of year	<u>710,109</u>	<u>690,460</u>
Cash and cash equivalents, end of year	<u>\$ 540,647</u>	<u>\$ 527,930</u>
Supplemental disclosures of cash flow information:		
Interest paid, net of amounts capitalized	\$ 16,825	\$ 16,086
Supplemental disclosures of non cash information:		
Increase (decrease) in payables for property and equipment	\$ 4,917	\$ (1,934)
Equity transfers from related parties, net	6,808	2,869
Assets and liabilities acquired under capital leases	19	-

All information is preliminary and subject to change.

**Stanford Health Care
Historical Utilization Statistics
For the Three Month Periods Ended
November 30, 2017 and 2016**

	Three Months Ended November 30,	
	2017	2016
Discharges		
Acute	6,464	6,181
Behavioral Health	195	190
Total	6,659	6,371
Patient Days		
Acute	35,452	36,740
Behavioral Health	2,233	2,394
subtotal	37,685	39,134
Short Stay OP	3,600	4,014
Total	41,285	43,148
Average Daily Census		
Acute	389.6	403.7
Behavioral Health	24.5	26.3
Total	414.1	430.0
Average Length of Stay		
Acute	5.5	5.9
Behavioral Health	11.5	12.6
Total	5.7	6.1
Case Mix Index	2.48	2.43
Emergency room visits*	18,228	17,695
Short Stay OP procedures	10,563	10,197
Other Outpatient visits	198,412	188,415
Surgeries		
Inpatient	3,321	3,370
Outpatient	5,872	5,580
Total	9,193	8,950

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
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
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
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	0.96	\$ 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
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