



Stanford

HEALTH CARE

STANFORD MEDICINE

Quarterly Financial Disclosure For the Six Month Periods Ended February 28, 2018 and 2017

INDEX

	Page
Overview of Disclosure	2
Consolidated Financial Statements:	
Consolidated Balance Sheet as of February 28, 2018 and 2017	4
Consolidated Statement of Operations and Changes in Net Assets For the Six Month Periods Ended February 28, 2018 and 2017	5
Consolidated Statement of Cash Flows For the Six Month Periods Ended February 28, 2018 and 2017	6
Historical Utilization Statistics For the Six Month Periods Ended February 28, 2018 and 2017	7
APPENDIX A – Bond Issues and Related CUSIP Numbers	A-1



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 Six-month periods ended February 28, 2018 and 2017:

- 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

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.

For further information please contact:

Thomas E. Malm, Treasurer
Stanford Health Care
300 Pasteur Drive, MC 5554
Stanford, CA 94305
Email tmalm@stanfordhealthcare.org

Stanford Health Care
Consolidated Balance Sheet - Unaudited
As of February 28, 2018 and 2017
(In Thousands)

	<u>2018</u>	<u>2017</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 880,553	\$ 610,326
Short term investments	336,770	206,414
Patient accounts receivable, net of allowance for doubtful accounts of \$202,000 and \$198,000 at February 28, 2018 and 2017, respectively	591,458	635,454
Other receivables	107,156	65,308
Inventories	54,840	46,873
Prepaid expenses and other	53,626	39,862
Total current assets	<u>2,024,403</u>	<u>1,604,237</u>
Investments	285,299	139,639
Investments at equity	73,200	-
Investments in University managed pools	1,347,928	1,224,330
Assets limited as to use, held by trustee	-	145,612
Property and equipment, net	3,069,661	2,622,306
Other assets	102,378	156,203
Total assets	<u>\$ 6,902,869</u>	<u>\$ 5,892,327</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 480,884	\$ 329,617
Accrued salaries and related benefits	244,558	235,766
Due to related parties	18,841	35,226
Third-party payor settlements	17,881	20,186
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	43,083	43,590
Total current liabilities	<u>1,047,222</u>	<u>906,105</u>
Self-insurance reserves and other, net of current portion	138,805	124,263
Other long-term liabilities	216,958	253,176
Pension liability	16,902	67,197
Long-term debt, net of current portion	1,721,848	1,207,806
Total liabilities	<u>3,141,735</u>	<u>2,558,547</u>
Net assets:		
Unrestricted:		
Stanford Health Care	3,112,984	2,703,470
Noncontrolling interests	22,705	19,538
Total unrestricted	<u>3,135,689</u>	<u>2,723,008</u>
Temporarily restricted	617,212	602,628
Permanently restricted	8,233	8,144
Total net assets	<u>3,761,134</u>	<u>3,333,780</u>
Total liabilities and net assets	<u>\$ 6,902,869</u>	<u>\$ 5,892,327</u>

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, 2018 and 2017
(In Thousands)

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Net patient service revenue	\$ 2,285,988	\$ 2,149,496
Provision for doubtful accounts	(23,981)	(66,496)
Net patient service revenue less provision for doubtful accounts	2,262,007	2,083,000
Premium revenue	44,631	40,274
Other revenue	68,257	63,214
Net assets released from restrictions used for operations	3,292	3,514
Total operating revenues	<u>2,378,187</u>	<u>2,190,002</u>
Operating expenses:		
Salaries and benefits	1,004,512	982,266
Professional services	18,940	22,037
Supplies	313,916	286,747
Purchased services	591,243	564,243
Depreciation and amortization	84,511	71,738
Interest	14,354	21,595
Other	220,673	194,271
Expense recoveries from related parties	(61,203)	(53,123)
Total operating expenses	<u>2,186,946</u>	<u>2,089,774</u>
Income from operations	191,241	100,228
Interest and investment income	9,797	6,487
Earnings on equity method investments	1,479	-
Increase in value of University managed pools	59,978	56,322
Swap interest and change in value of swap agreements	52,400	104,031
Loss on extinguishment of debt	(48,541)	-
Excess of revenues over expenses	266,354	267,068
Other changes in unrestricted net assets:		
Transfer to Stanford University	(21,382)	(14,092)
Change in net unrealized gains on investments	(1,265)	552
Net assets released from restrictions used for:		
Purchase of property and equipment	20	9
Noncontrolling capital (distributions) contributions	(1,211)	301
Increase in unrestricted net assets	<u>242,516</u>	<u>253,838</u>
Changes in temporarily restricted net assets:		
Transfer from Stanford University	97	2,190
Contributions and other	16,257	24,697
Investment income	277	306
Gains on University managed pools	642	1,872
Net assets released from restrictions used for:		
Operations	(3,292)	(3,514)
Purchase of property and equipment	(20)	(9)
Increase in temporarily restricted net assets	<u>13,961</u>	<u>25,542</u>
Changes in permanently restricted net assets:		
Contributions	89	250
Increase in permanently restricted net assets	<u>89</u>	<u>250</u>
Increase in net assets	256,566	279,630
Net assets, beginning of year	<u>3,504,568</u>	<u>3,054,150</u>
Net assets, end of year	<u>\$ 3,761,134</u>	<u>\$ 3,333,780</u>

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, 2018 and 2017
(In Thousands)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in Stanford Health Care net assets	\$ 255,921	\$ 280,225
Change in noncontrolling interests	645	(595)
Total change in net assets	<u>256,566</u>	<u>279,630</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	83,170	70,944
Provision for doubtful accounts	23,981	66,496
Change in fair value of interest rate swaps	(60,633)	(104,031)
Increase in value of University managed pools	(59,978)	(56,322)
Unrealized losses (gains) on investments	565	(2,386)
Realized losses on investments	-	794
Deficit of income of equity method investees over distributions received	293	-
Contributions received for long lived assets or endowment and net equity transfers to/from related parties	7,384	(8,219)
Premiums received from bond issuance	76,138	-
Changes in operating assets and liabilities:		
Patient accounts receivable	(4,705)	(142,017)
Due to related parties	(53,533)	(24,907)
Other receivables, inventory, other assets, prepaid expenses and other	(51,446)	12,610
Accounts payable, accrued liabilities and pension liabilities	99,929	519
Accrued salaries and related benefits	(11,201)	(1,053)
Third-party payor settlements	(268)	(2,762)
Self-insurance reserves	<u>5,218</u>	<u>5,627</u>
Cash provided by operating activities	<u>360,021</u>	<u>94,923</u>
Cash flows from investing activities:		
Purchases of investments	(314,939)	(135,132)
Sales of investments	36,812	24,711
Purchases of investments at equity	(5,641)	-
Purchases of investments in University managed pools	(92)	(394)
Sales of investments in University managed pools	25	150,735
Decrease in assets limited as to use and other	58,134	90,176
Purchases of property and equipment	<u>(246,661)</u>	<u>(295,766)</u>
Cash used in investing activities	<u>(472,362)</u>	<u>(165,670)</u>
Cash flows from financing activities:		
Proceeds from issuance of debt	954,200	-
Borrowing on revolver	(135,000)	-
Costs of issuance of debt	(6,867)	-
Payment of long-term debt and capital lease obligations	(538,029)	(12,088)
Contributions received for long lived assets or endowment and net equity transfers to/from related parties	<u>8,481</u>	<u>2,701</u>
Cash provided by (used in) financing activities	<u>282,785</u>	<u>(9,387)</u>
Net increase (decrease) in cash and cash equivalents	170,444	(80,134)
Cash and cash equivalents, beginning of year	<u>710,109</u>	<u>690,460</u>
Cash and cash equivalents, end of year	<u>\$ 880,553</u>	<u>\$ 610,326</u>
Supplemental disclosures of cash flow information:		
Interest paid, net of amounts capitalized	\$ 16,708	\$ 22,319
Supplemental disclosures of non cash information:		
Increase (decrease) in payables for property and equipment	\$ 38,092	\$ (3,755)
Equity transfers from related parties, net	202	362
Assets and liabilities acquired under capital leases	346	379

All information is preliminary and subject to change.

**Stanford Health Care
Historical Utilization Statistics
For the Six Month Periods Ended
February 28, 2018 and 2017**

	Three Months Ended	
	February,	
	2018	2017
Discharges		
Acute	12,978	12,382
Behavioral Health	399	381
Total	13,377	12,763
Patient Days		
Acute	71,056	73,990
Behavioral Health	4,463	4,758
subtotal	75,519	78,748
Short Stay OP	7,416	8,155
Total	82,935	86,903
Average Daily Census		
Acute	392.6	408.8
Behavioral Health	24.7	26.3
Total	417.2	435.1
Average Length of Stay		
Acute	5.5	6.0
Behavioral Health	11.2	12.5
Total	5.6	6.2
Case Mix Index	2.43	2.40
Emergency room visits*	38,511	36,213
Short Stay OP procedures	21,376	20,008
Other Outpatient visits	388,634	371,125
Surgeries		
Inpatient	6,512	6,734
Outpatient	11,763	10,915
Total	18,275	17,649

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

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

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

**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	0.72	\$ 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	1.20	\$ 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

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
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

**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