



FOUNDED BY BRIGHAM AND WOMEN'S HOSPITAL  
AND MASSACHUSETTS GENERAL HOSPITAL

**For Immediate Release: February 8, 2017**

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## **Partners HealthCare Reports First Quarter 2017 Financial Results**

BOSTON, MA – Partners HealthCare today reported an operating loss of \$17 million (-0.5% operating margin) in the first quarter of fiscal year 2017, which ended on December 31, 2016. Health care provider activity generated breakeven operating results, and insurance activity (Neighborhood Health Plan or NHP) resulted in an operating loss of \$17 million. Partners total operating revenue increased \$171 million (6%) to \$3.2 billion in the first quarter of fiscal 2017, reflecting continued growth in both provider (\$138 million, 5%) and insurance (\$55 million, 9%) activities. However, total operating expenses increased \$201 million (7%) to \$3.2 billion, due to higher medical insurance claims (\$45 million, 10%), wages (\$59 million, 5%), benefits (\$13 million, 4%), pharmaceuticals (\$18 million, 15%) and the state's new hospital assessment (\$23 million). On October 1, 2016, the state imposed a \$250 million aggregate annual assessment on hospitals to help fund MassHealth, the state's Medicaid program. After offsetting increased Medicaid payments funded by the assessment, the net unfavorable impact to operating income in the first quarter was \$8 million.

In the comparable 2016 quarter, Partners reported income from operations of \$13 million (0.4% operating margin), composed of \$14 million income from provider activity and a \$1 million loss from insurance activity.

"Our academic medical centers and their physicians continued to generate strong revenue growth in the first quarter of this fiscal year, but pension and pharmaceutical costs continue to rise at a faster pace," said **Peter K. Markell, Chief Financial Officer and Treasurer for Partners HealthCare**. "In addition, we are bearing an increased burden for caring for the Medicaid population due to the state's new hospital assessment."

In the first quarter of fiscal 2017, Partners absorbed \$368 million in Medicare, Medicaid, and Health Safety Net shortfalls due to government reimbursements that failed to pay the full cost of providing care to Medicare, low-income, and uninsured patients, an increase of \$57 million (18%) over the shortfall absorbed in the comparable 2016 quarter.

*-more-*

### ***Non-operating Results***

Partners reported an overall gain of \$160 million, including non-operating gains of \$177 million, in the 2017 first quarter. Non-operating activity includes gains and losses on investments and interest rate swaps, which can vary significantly year to year due to volatility in the financial markets, and philanthropy. The gains recorded in the 2017 quarter were primarily driven by higher interest rates which improved the market value of interest rate swaps (\$135 million). In the fiscal 2016 first quarter, Partners reported an overall loss of \$37 million, including a non-operating loss of \$50 million.

### ***Health Care Provider & Other Activity (Provider Activity)***

Provider activity generated breakeven operating results in the 2017 first quarter compared with operating income of \$14 million (0.6% operating margin) in the 2016 first quarter.

Revenue for provider activity increased \$138 million (5%) to \$2.6 billion in the first quarter of 2017. Net patient service revenue increased \$123 million (6%) (\$22 million of which reflects an increase in services provided to NHP members) to \$2.1 billion. Increases in the volume and severity of patient activity – particularly at the academic medical centers – contributed to the growth in net patient service revenue, but was partially offset by softer-than-expected volume at some community locations and an adverse shift in payer mix (to government payers from commercial payers). Research revenue increased \$16 million (4%) to \$432 million, reflecting growth in government-sponsored and corporate-sponsored research activity. Other operating revenue, excluding patient care and research revenue, was flat at \$155 million.

Operating expenses attributable to provider activity increased \$152 million (6%) to \$2.6 billion in the 2017 quarter. Labor costs associated with the operation of Partners *e*Care (an integrated, electronic health and administrative information system, which is live at more sites across the System), wage increases associated with new nursing contracts entered into during FY16, and higher pension expense contributed to an increase in employee compensation and benefits of \$70 million (5%) to \$1.5 billion. Supplies and other expenses increased \$43 million (7%) to \$629 million, reflecting the new Medicaid assessment (\$23 million) as well as increased costs for pharmaceuticals (\$18 million, 15%). Depreciation increased \$16 million (12%) to \$150 million as several large capital projects became operational. Interest expense increased \$12 million (37%) to \$45 million due to additional debt and the cessation of capitalizing interest on projects that were completed.

### ***Insurance Activity***

Insurance activity resulted in an operating loss of \$17 million in the 2017 first quarter compared to a loss of \$1 million in the comparable 2016 quarter. These results include the impact of premium deficiency reserves, which decreased NHP's operating losses by \$6 million and \$11 million in the 2017 and 2016 quarters, respectively. Excluding the impact of premium deficiency reserves, NHP generated operating

losses of \$23 million (-3.6% operating margin) in 2017 and \$12 million (-2.2% operating margin) in 2016. A change in hepatitis C protocols, which was implemented in August 2016 to enhance patients' access to treatment, contributed to an increase in pharmaceuticals costs of approximately \$7 million in the 2017 quarter.

Premium revenue increased \$55 million (9%) to \$644 million in the 2017 first quarter, reflecting a 7% increase in membership. As of December 31, 2016, NHP had 441,799 members, of which approximately 66% were in government-sponsored plans.

"NHP and the state mutually agreed to a freeze on MassHealth enrollment in October 2016 to give management time to stabilize financial performance after experiencing significant operating losses due to an 80% increase in its Medicaid population over the past three years," said **Markell**. "Because of the lag between utilization of services and the processing of claims, it will take some time for the membership freeze to impact NHP's results. In addition, the Health Connector's decision to retrospectively alter Blue Cross Blue Shield's risk adjustment calculations as part of the Affordable Care Act resulted in unfavorable adjustments to NHP's prior year receipts and is also expected to reduce NHP's share of these funds going forward."

Medical claims expense increased \$67 million (12%) (\$22 million of which reflects an increase in claims paid to Partners clinicians and providers) to \$621 million in 2017. NHP's medical loss ratio (the percentage of insurance premiums that are used to pay medical claims) was 97% in the 2017 quarter and 96% in the 2016 quarter.

General and administrative costs increased \$4 million (11%) to \$41 million in the 2017 quarter, reflecting membership growth and investments to facilitate growth in the commercial lines of business. The administrative expense ratio (the percentage of insurance premiums that are used to pay general and administrative expenses) remained low at 6.4%.

### ***Commitment to Community***

Serving and investing in the community is a major focus for Partners. In order to improve the health and well-being of our communities, Partners makes targeted, effective investments in three priority areas: access to health care, educational and economic opportunity, and prevention. Last year, Partners absorbed a shortfall of \$1.2 billion due to government reimbursements that failed to pay the full cost of providing care. Partners served more than 159,000 low-income patients and reported to the Massachusetts Attorney General investments of \$185 million through a wide-range of community commitments.

A recent example includes NHP's new community-based initiative to promote health of at-risk members and prevent costly hospitalizations, called 'Neighborhood Care Circle.' The innovative program identifies and addresses the complex needs of critically at-risk members who account for a large percentage of emergency room visits, lengthy hospital stays, and other acute interventions that contribute to the rising cost of health care.

The program will target vulnerable and difficult to reach members who often suffer from chronic conditions and behavioral health issues. Once members are designated for special care, the Neighborhood Care Circle teams will then arrange for services available within the community to help them recover and stay healthy so as to prevent costly interventions later, such as emergency room visits and hospital admissions. NHP will work with these members to help them apply for jobs, secure housing, arrange for transportation to keep doctor appointments, take needed medications, and locate community resources that meet their particular medical or behavioral health needs.

NHP's effort complements another model of care launched as part of the state's Medicaid ACO pilot, called Partners Care Connect, that is tailored to patients' individual needs and supported by [population health management programs](#) across the Partners network. To meet the needs of MassHealth members, population health management services will be expanded to address substance use disorders, housing, food insecurity, trauma history, and other social determinants of health. Partners Care Connect will meet patients where they are and work with them to identify a care plan that addresses all of their health-related needs, including building strong relationships between patients and providers.

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#### **Forward-Looking Statements**

*This press release contains certain "forward-looking statements" concerning financial and operating plans and results which involve known and unknown risks and uncertainties. In particular, statements preceded or followed by, or that include the words, "believes," "expects," "estimates," "anticipates," "plans," "intends," "scheduled," or similar expressions are forward-looking statements. Various factors could cause Partners' actual results to differ materially including, but not limited to, federal and state regulation of healthcare providers, changes in reimbursement policies of state and federal government and managed care organizations, competition in the healthcare industry in our market, general economic and capital market conditions, and changes in our labor and supply costs and in our ability to retain personnel. For more information on these and other risk factors, please refer to our most recent bond official statement or annual disclosure statement filed on the Electronic Municipal Market Access (EMMA) website maintained by the Municipal Securities Rulemaking Board. We undertake no responsibility to update any such forward-looking statements except as expressly required by law.*

**Partners HealthCare** is an integrated health system founded by Brigham and Women's Hospital and Massachusetts General Hospital. In addition to its two academic medical centers, the Partners system includes community and specialty hospitals, a managed care organization, community health centers, a physician network, home health and long-term care services, and other health-related entities. Partners is one of the nation's leading biomedical research organizations and a principal teaching affiliate of Harvard Medical School. Partners HealthCare is a non-profit organization.

**Partners HealthCare System, Inc. and Affiliates**  
**Consolidated Balance Sheets**  
(In Thousands)

	<b>December 31, 2016</b> <b>(unaudited)</b>	<b>September 30, 2016</b> <b>(audited)</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and equivalents	\$ 567,473	\$ 827,683
Investments	1,162,830	1,069,006
Current portion of investments limited as to use	1,367,692	1,588,787
Patient accounts receivable, net	887,437	881,993
Research grants receivable	127,230	129,243
Other current assets	460,241	449,440
Receivable for settlements with third-party payers	48,871	55,238
<b>Total current assets</b>	<b>4,621,774</b>	<b>5,001,390</b>
Investments limited as to use, less current portion	3,106,886	3,069,175
Long-term investments	1,169,116	1,136,528
Pledges receivable, net and contributions receivable from trusts, less current portion	187,958	194,684
Property and equipment, net	5,926,985	5,881,927
Other assets	605,901	629,168
<b>Total assets</b>	<b>\$ 15,618,620</b>	<b>\$ 15,912,872</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Current portion of long-term obligations	\$ 422,277	\$ 441,018
Accounts payable and accrued expenses	606,614	732,187
Accrued medical claims and related expenses	269,444	289,866
Accrued compensation and benefits	683,011	731,674
Current portion of accrual for settlements with third-party payers	40,622	63,195
Unexpended funds on research grants	254,383	247,423
<b>Total current liabilities</b>	<b>2,276,351</b>	<b>2,505,363</b>
<b>Other liabilities</b>		
Accrual for settlements with third-party payers, less current portion	6,762	7,443
Accrued professional liability	488,621	487,705
Accrued employee benefits	2,123,812	2,163,540
Interest rate swaps liability	375,669	510,172
Accrued other	156,667	156,178
Long-term obligations, less current portion	4,596,178	4,608,114
<b>Total liabilities</b>	<b>10,024,060</b>	<b>10,438,515</b>
<b>Net assets</b>		
Unrestricted	4,173,651	4,060,285
Temporarily restricted	774,848	790,886
Permanently restricted	646,061	623,186
<b>Total net assets</b>	<b>5,594,560</b>	<b>5,474,357</b>
<b>Total liabilities and net assets</b>	<b>\$ 15,618,620</b>	<b>\$ 15,912,872</b>

**Partners HealthCare System, Inc. and Affiliates**  
**Consolidated Statements of Operations**  
(In Thousands)

	<b>First Quarter Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Operating revenue</b>		
Net patient service revenue, net of provision for bad debts	\$ 1,964,488	\$ 1,864,199
Premium revenue	643,821	588,551
Direct academic and research revenue	338,966	327,227
Indirect academic and research revenue	93,312	89,239
Other revenue	154,549	154,972
<b>Total operating revenue</b>	<b>3,195,136</b>	<b>3,024,188</b>
<b>Operating expenses</b>		
Employee compensation and benefit expenses	1,521,336	1,449,239
Supplies and other expenses	650,495	605,746
Medical claims and related expenses	506,946	462,438
Direct academic and research expenses	338,966	327,227
Depreciation and amortization expenses	150,246	134,210
Interest expense	44,546	32,516
<b>Total operating expenses</b>	<b>3,212,535</b>	<b>3,011,376</b>
<b>(Loss) income from operations</b>	<b>(17,399)</b>	<b>12,812</b>
<b>Nonoperating gains (expenses)</b>		
Income (loss) from investments	44,882	(34,640)
Change in fair value of interest rate swaps	134,504	10,024
Gifts and other, net of fundraising and other expenses	(34,190)	(28,027)
Academic and research gifts, net of expenses	32,096	2,317
<b>Total nonoperating gains (expenses), net</b>	<b>177,292</b>	<b>(50,326)</b>
<b>Excess (deficit) of revenues over expenses</b>	<b>159,893</b>	<b>(37,514)</b>
<b>Other changes in net assets</b>		
Change in net unrealized appreciation on marketable investments	(52,011)	88,640
Change in fair value of hedging interest rate swaps	-	527
Funds utilized for property and equipment	5,631	8,276
Other	(147)	(168)
<b>Increase in unrestricted net assets</b>	<b>\$ 113,366</b>	<b>\$ 59,761</b>

**Partners HealthCare System, Inc. and Affiliates**  
**Consolidated Statements of Cash Flows**  
(In Thousands)

	<b>Three Months Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Cash flows from operating activities:		
Change in net assets	\$ 120,203	63,490
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Change in fair value of interest rate swaps	(134,504)	(10,551)
Depreciation and amortization	150,246	134,210
Provision for bad debts	32,657	31,737
Gain on disposal of property	(13)	(294)
Net realized and change in unrealized appreciation on investments	(14,128)	(52,053)
Restricted contributions and investment income	(46,297)	(39,287)
Increases (decreases) in cash resulting from a change in		
Patient accounts receivable	(38,101)	(48,726)
Research grants receivable	2,013	(12,841)
Other current assets	(31,686)	(9,050)
Pledges receivable and contributions receivable from trusts	27,611	16,378
Other assets	(5,345)	(42,370)
Accounts payable and accrued expenses	(125,573)	(23,743)
Accrued medical claims and related expenses	(20,422)	(12,783)
Accrued compensation and benefits	(48,663)	(55,836)
Settlements with third-party payers	(19,781)	17,442
Unexpended funds on research grants	6,960	12,160
Accrued employee benefits and other	(38,322)	(12,103)
<b>Net cash used for operating activities</b>	<b>(183,145)</b>	<b>(44,220)</b>
Cash flows from investing activities:		
Purchases of property and equipment	(193,189)	(254,348)
Proceeds from sale of property	13	477
Net proceeds from sales of investments	71,100	200,692
<b>Net cash used for investing activities</b>	<b>(122,076)</b>	<b>(53,179)</b>
Cash flows from financing activities:		
Payments on long-term obligations	(1,286)	(1,237)
Restricted contributions and investment income	46,297	39,287
<b>Net cash provided by financing activities</b>	<b>45,011</b>	<b>38,050</b>
<b>Net decrease in cash and equivalents</b>	<b>(260,210)</b>	<b>(59,349)</b>
<b>Cash and equivalents at beginning of period</b>	<b>827,683</b>	<b>621,568</b>
<b>Cash and equivalents at end of period</b>	<b>\$ 567,473</b>	<b>\$ 562,219</b>

**Notes to Consolidated Financial Statements**  
**(In Thousands)**

1. The accompanying consolidated quarterly financial statements have been prepared on the accrual basis of accounting and include the accounts of Partners HealthCare System, Inc. (PHS) and its affiliates. PHS, together with all of its affiliates, is referred to as "Partners HealthCare." The financial statements do not include all the information and footnote disclosures required by generally accepted accounting principles. These statements should be read in conjunction with Partners HealthCare's audited consolidated financial statements for the fiscal year ended September 30, 2016.

The consolidated quarterly financial statements are unaudited. These statements include all adjustments (consisting of normal recurring accruals) considered necessary by management to present a fair statement of the results of operations, financial position and cash flows. The results reported in these consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

2. Income from investments (including realized gains and losses, change in value of equity method investments, interest, dividends and endowment income distributions) is included in excess of revenues over expenses unless the income or loss is restricted by donor or law. Income from investments is reported net of investment-related expenses.

A write-down in the cost basis of investments is recorded when the decline in fair value below cost has been judged to be other-than-temporary. Depending on any donor-imposed restrictions on the underlying investments, the amount of the write-down is reported as a realized loss in either temporarily restricted net assets or in excess of revenues over expenses as a component of income from investments, with no adjustment in the cost basis for subsequent recoveries.

For the quarters ended December 31, 2016 and 2015, included in excess of revenues over expenses are realized losses of \$17,494 and \$37,915, respectively, related to other-than-temporary declines in fair value of investments. In addition, temporarily restricted net assets were reduced by \$1,920 and \$8,065, respectively, for impairment adjustments.

Including the impairment charges noted above, for the quarters ended December 31, 2016 and 2015, included in excess of revenues over expenses are net realized gains (losses) of \$28,626 and (\$29,314), respectively.

3. Changes in third party payer settlements and other estimates are recorded in the year of the change in estimate. For the quarters ended December 31, 2016 and 2015, adjustments to prior year estimates resulted in an increase (decrease) in income from operations of \$7,046 and (\$633), respectively.

Effective October 1, 2007, the Centers for Medicare and Medicaid Services (CMS) adopted the MS-DRG patient classification system (MS-DRGs) for inpatient services to better recognize severity of illness in Medicare payment rates for acute care hospitals. The adoption of MS-DRGs resulted in the expansion of the number of diagnosis related groups (DRGs), a system of classifying patients for purposes of inpatient reimbursement. By increasing the number of DRGs and more fully taking into account patients' severity of illness in Medicare payment rates for acute care hospitals, the use of MS-DRGs encourages hospitals to improve their documentation and coding of patient diagnoses. CMS has determined that the adoption of the MS-DRGs has increased aggregate payments to hospitals due to additional documentation and coding without a corresponding increase in actual patient severity of illness.

CMS is required by its enabling statute to maintain budget neutrality by prospectively adjusting the Medicare payment rate to eliminate the effect of changes in DRG classification that do not reflect real changes in case-mix. CMS requires Congressional authority, however, to recoup any overpayments made in prior years. In 2007, Congress granted CMS the authority to recoup overpayments made to hospitals in 2008 and 2009 resulting from increased coding and documentation, which CMS did through rate reductions in 2011 and 2012. Subsequently, under the American Taxpayer Relief Act of 2012, Congress granted CMS the authority to recoup overpayments made to hospitals in 2010 through 2012 through rate reductions in 2014 through 2017.



**Notes to Consolidated Financial Statements**  
**(In Thousands)**

3. In fiscal year 2013, Partners HealthCare recorded the estimated overpayment amounts received in 2010 through cont. 2012 of approximately \$79,020 as deferred revenue to be amortized into net patient service revenue in 2014 through 2017 to offset the rate reductions. Management believes this accounting treatment better reflects the financial impact of this rate methodology and more accurately presents the recognition of revenue. For the quarters ended December 31, 2016 and 2015, amortization amounted to \$8,259 and \$5,975, respectively.
4. Neighborhood Health Plan (NHP) premium deficiency reserves are assessed and recognized on a product line basis based upon expected premium revenue, medical expense and administrative expense levels, and remaining contractual obligations using historical experience. As of December 31, 2016 and September 30, 2016, premium deficiency reserves total approximately \$45,304 and \$51,735, respectively, and are included in accrued medical claims and related expenses in the accompanying consolidated financial statements. The premium deficiency reserves are estimates of anticipated losses in fiscal 2017 related to NHP's MassHealth and Commercial contracts.
5. Risk-based capital (RBC) is a methodology adopted by the National Association of Insurance Commissioners (NAIC) for determining the minimum level of capital and surplus deemed necessary for an insurer based upon the types of assets held and business written. Pursuant to a guaranty entered into by PHS when it acquired NHP in 2012 (the RBC Guaranty), PHS has committed to maintain NHP's capital and surplus at a specified minimum level, measured quarterly in accordance with an RBC methodology permitted by the Massachusetts Division of Insurance (DOI). The RBC Guaranty may be enforced by the DOI. In order to comply with its obligations under the RBC Guaranty PHS transferred to NHP \$123,800 in fiscal year 2016 and \$32,400 in the fiscal year 2017 through December 31, 2016.
6. The current portion of long-term obligations includes payments scheduled to be made over the next twelve months of \$65,517 along with bonds supported by Partners HealthCare liquidity of \$250,510 and bonds supported by bank facilities (stand by bond purchase agreements or letters of credit) with financial institutions that expire prior to September 30, 2017 of \$106,250. The bonds supported by Partners HealthCare liquidity provide the bondholder with an option to tender the bonds to Partners HealthCare. Accordingly, these bonds are classified as a current liability. The bonds supported by bank facilities provide the bondholder with an option to tender the bonds to the liquidity provider. Generally accepted accounting principles require bonds backed by bank facilities expiring within one year of the balance sheet date to be classified as a current liability.
7. In September 2016, PHS issued \$225,000 of Partners HealthCare System Taxable Senior Notes. Proceeds from the notes were used to make a voluntary contribution to Partners HealthCare's defined benefit pension plans.  
  
In March 2016, PHS issued \$100,000 of Partners HealthCare System Series R Revenue Bonds. Proceeds from the bonds will be used to finance certain capital projects.  
  
In January 2016, PHS issued \$423,990 of Partners HealthCare System Series Q Revenue Bonds, plus bond premium of \$67,636. The bond proceeds, net of issuance costs of \$3,732, were used to refund portions of Series F Bonds (\$2,873), Series G Bonds (\$8,068) and Series K Bonds (\$75,091) and to finance certain capital projects (\$401,862).
8. Partners HealthCare maintains a \$150,000 Credit Agreement (the Agreement) that provides access to same day funds. Advances under the Agreement bear a variable rate of interest based on the London Interbank Offered Rate (LIBOR). As of December 31, 2016, there were no amounts outstanding under the Agreement. The Agreement expires in June 2017.
9. Effective January, 1, 2017, Wentworth-Douglass Hospital and affiliates (Wentworth-Douglass) became an affiliate of Partners HealthCare when Massachusetts General Hospital became the sole corporate member of Wentworth-Douglass. This affiliation will be recognized in Partners HealthCare's second quarter. For the fiscal year ended December 31, 2016, Wentworth-Douglass's net assets were \$297,000 (unaudited) and it recorded total operating revenue of \$350,000 (unaudited).

**PARTNERS HEALTHCARE SYSTEM, INC.: ACUTE CARE SECTOR<sup>(1)</sup>**  
**UTILIZATION STATISTICS**

	<b>First Quarter Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>INPATIENT:</b>		
Discharges	39,635	39,265
% Change	0.9%	
Discharge Days	209,142	207,249
% Change	0.9%	
Average Length of Stay (Days)	5.28	5.28
% Change	0.0%	
Patient Days	194,414	194,081
% Change	0.2%	
Births	3,868	3,937
% Change	-1.8%	
<b>OUTPATIENT:</b>		
ATO's	6,137	6,352
% Change	-3.4%	
ED Observations	2,391	1,965
% Change	21.7%	
Day Surgery	16,951	17,128
% Change	-1.0%	
Routine Visits	336,337	312,351
% Change	7.7%	
ER Visits	88,130	87,326
% Change	0.9%	
Significant Procedures	31,512	29,548
% Change	6.6%	
Major Imaging	81,771	75,067
% Change	8.9%	
Minor Imaging	322,049	319,950
% Change	0.7%	
Treatments	151,730	148,921
% Change	1.9%	
Minor Procedures	151,381	141,831
% Change	6.7%	
Therapies	231,524	200,113
% Change	15.7%	
Psychiatric Services	57,589	62,200
% Change	-7.4%	
Lab Services	2,557,510	2,602,210
% Change	-1.7%	
<b>CASE MIX INDEX (CMI)<sup>(2)</sup>:</b>		
Combined Academic (The General & BWH)	1.90	1.84
	3.3%	
Combined Community (BWFH, NSMC & NWH)	1.12	1.10
	1.8%	

<sup>(1)</sup> Includes data from The General, BWH, BWFH, NSMC, NWH, Cooley Dickinson, Nantucket and Martha's Vineyard

<sup>(2)</sup> CMI based on APR-DRG version 30, NY weight

**PARTNERS HEALTHCARE SYSTEM, INC.: REHABILITATION & PSYCHIATRIC CARE SECTORS  
UTILIZATION STATISTICS**

	<b>First Quarter Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>REHABILITATION</b>		
<b>Inpatient:</b>		
Discharges	1,219	1,213
% Change	0.5%	
Discharge Days	26,213	27,105
% Change	-3.3%	
Average Length of Stay (Days)	21.50	22.35
% Change	-3.8%	
Patient Days	25,427	26,544
% Change	-4.2%	
<b>Outpatient:</b>		
Routine Visits	9,330	9,871
% Change	-5.5%	
Home Health	226,815	237,764
% Change	-4.6%	
Therapies	92,098	87,500
% Change	5.3%	

Note: Rehabilitation sector includes Spaulding Boston, Spaulding Cambridge, Spaulding North Shore (for 2015 only), Spaulding Cape Cod and Partners HealthCare at Home

**PSYCHIATRIC**

<b>Inpatient:</b>		
Discharges	1,565	1,350
% Change	15.9%	
Discharge Days	16,874	14,281
% Change	18.2%	
Average Length of Stay (Days)	10.78	10.58
% Change	1.9%	
Patient Days	17,308	14,480
% Change	19.5%	
<b>Outpatient:</b>		
Psychiatric Services	32,466	32,015
% Change	1.4%	

**PARTNERS HEALTHCARE SYSTEM, INC.: INSURANCE SECTOR  
STATISTICS**

	<b>First Quarter Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Medical loss ratio <sup>(1)</sup></b>	97.3%	95.9%
% Change	1.4%	
<b>Administrative expense ratio</b>	6.4%	6.3%
% Change	0.1%	
<b>Total members</b>	441,799	414,644
% Change	6.5%	

<sup>(1)</sup> Excludes impact of premium deficiency reserve charge.

Statistic	Definition
Discharges	The total number of patients discharged from a hospital bed in a given time period
Discharge Days	The total number of days each discharged patient occupied a bed during the duration of their hospital stay
Average Length of Stay	Patient days divided by the number of patient discharges
Patient Days	Total number of days a patient occupied a hospital bed in a given time period
ATO's	Patients admitted under observation status and generally discharged within 24 hours
ED Observations	Patients admitted under observation status in the ER (at GH and BWH) and generally discharged within 24 hours
Day Surgery	Surgical procedures performed on an outpatient basis
Routine Visits	Includes office/outpatient services, office consults, confirmatory consults, preventive medicine and prolonged visit - clinic O/P
ER Visits	Emergency room visits
Significant Procedures	Includes pacemaker/defibrillators/EP, ablations, coronary stents, angioplasty, percutaneous valvuloplasty, atherectomy, cardiac cath, endovascular repair of abdominal aortic aneurysm and GI
Major Imaging	Includes MRI, CT Scan, nuclear medicine and PET Scan
Minor Imaging	Includes radiology diagnostic, ultrasound and mammography
Treatments	Includes chemotherapy, radiation therapy, non chemo infusions, dialysis and electroconvulsive therapy
Minor Procedures	Includes procedures performed in physician offices and hospital clinics
Therapies	Includes respiratory therapy, physical therapy, occupational therapy speech language pathology, cardiac rehabilitation and nutrition
Psychiatric Services	Includes partial days, ART days, individual therapy, group therapy, family therapy, child and adolescent days and other therapies
Lab Services	Lab services
Case Mix Index	The average diagnosis-related-group weight for all of a hospital's inpatient volume
Home Health	Nurse visits, aide visits, physical therapy, occupational therapy, speech-language pathology, registered dietician, medical social work and private duty converted hours
Medical Loss Ratio	Medical expense as a percentage of premium revenue

**PARTNERS HEALTHCARE SYSTEM, INC.: INVESTMENT LIQUIDITY & DEBT BACKED BY SELF LIQUIDITY**  
**as of December 31, 2016**  
**(In Thousands)**

**INVESTMENT LIQUIDITY<sup>(1)</sup>**

<b>Investment Pool</b>	<b>Funds Available</b>						<b>Total</b>
	<b>Same Day</b>	<b>1 Week</b>	<b>1 Month</b>	<b>3 Months</b>	<b>1 Year</b>	<b>&gt;1 Year</b>	
Money Market	\$420,168	-	-	-	-	-	\$420,168
Aggregate Bond	631,208	158,743	-	152,444	341	96,145	1,038,882
Long Term	6,459	1,019,901	1,539,699	856,107	790,513	1,699,949	5,912,628
Total	\$1,057,836	\$1,178,643	\$1,539,699	\$1,008,551	\$790,854	\$1,796,094	\$7,371,678
Cumulative Total	\$1,057,836	\$2,236,479	\$3,776,178	\$4,784,729	\$5,575,584	\$7,371,678	

**DEBT BACKED BY SELF LIQUIDITY**

<b>Debt Mode</b>	<b>Funds Required</b>						<b>Total</b>
	<b>Same Day</b>	<b>1 Week</b>	<b>1 Month</b>	<b>3 Months</b>	<b>1 Year</b>	<b>&gt;1 Year</b>	
Daily VRDBs	\$1,010	-	-	-	-	-	\$1,010
Weekly VRDBs	-	-	-	-	-	-	-
Flexible Rate <sup>(2)</sup>	-	49,590	19,790	83,535	18,000	-	170,915
Index Floating Rate	-	-	-	-	80,000	389,100	469,100
Term Rate	-	-	-	-	-	43,340	43,340
Total	\$1,010	\$49,590	\$19,790	\$83,535	\$98,000	\$432,440	\$684,365
Cumulative Total	\$1,010	\$50,600	\$70,390	\$153,925	\$251,925	\$684,365	

<sup>(1)</sup> Excludes ERISA.

<sup>(2)</sup> Partners HealthCare limits daily maturities on its flexible rate bonds to \$20 million.

# Money Market Pool

12/31/2016

Portfolio Manager  
Benchmark

Various  
iMoneyNet Money Market Fund Average/All Taxable

	Portfolio	Benchmark
Market Value (\$000)	\$ 420,168	n/a
Avg Rating	AAA	A1/P1
Avg Maturity (Days)	1.0	n/a
Avg Life (Days)	1.0	n/a
Avg Yield	0.45%	n/a

Net Asset Value	1.0
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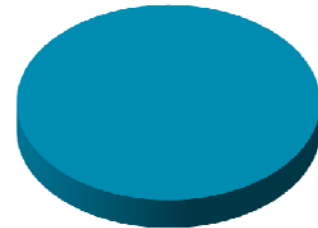
Annualized Returns	Portfolio	Benchmark	Outperform. *
Month	0.03%	0.02%	+ 0.01%
Quarter	0.07%	0.05%	+ 0.02%
FYTD	0.07%	0.05%	+ 0.02%
CYTD	0.32%	0.13%	+ 0.19%
1 Year	0.32%	0.13%	+ 0.19%
2 Year	0.17%	0.07%	+ 0.10%
3 Year	0.16%	0.05%	+ 0.11%
5 Year	0.23%	0.04%	+ 0.19%
Inception (12/31/94)	2.79%	2.33%	+ 0.46%

Annualized Performance Measures since Inception (01/05)			
StDev	0.66%	0.64%	-
Sharpe Ratio	0.40	(0.31)	+
Tracking Error	0.07%	n/a	
Info Ratio	6.76	n/a	
Monthly Alpha	0.04%	0.00%	+
Beta	0.89	1.00	+
BM Correl	1.00	1.00	

Relative Performance		# Months	Average
Up Months	Above BM	253	0.039%
	Below BM	11	
Down Months	Above BM	0	
	Below BM	0	

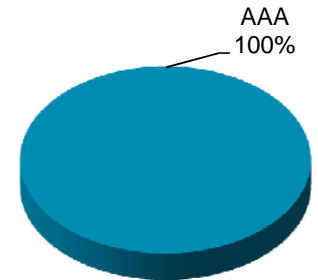
\* computed outperformance may not match portfolio/benchmark returns due to rounding.

## Instruments



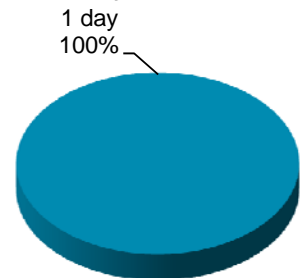
Mutual Funds  
100%

## S&P Quality Breakdown



AAA  
100%

## Maturity Breakdown



1 day  
100%

# Congress Short Term Treasuries

12/31/2016

Portfolio Manager **Jeff Porter** since April 2014  
Benchmark BC US Treas 1-5 yr

	Portfolio	Benchmark
Market Value (\$000)	\$ 163,830	n/a
# Issues	15	155
Avg Coupon	1.95%	1.68%
Avg Rating	AAA	AAA/Aaa
Avg Maturity	2.96	2.91
Avg Yield	1.44%	1.44%
Avg Mod. Duration	2.81	2.82
Avg. Convexity	0.11	0.11

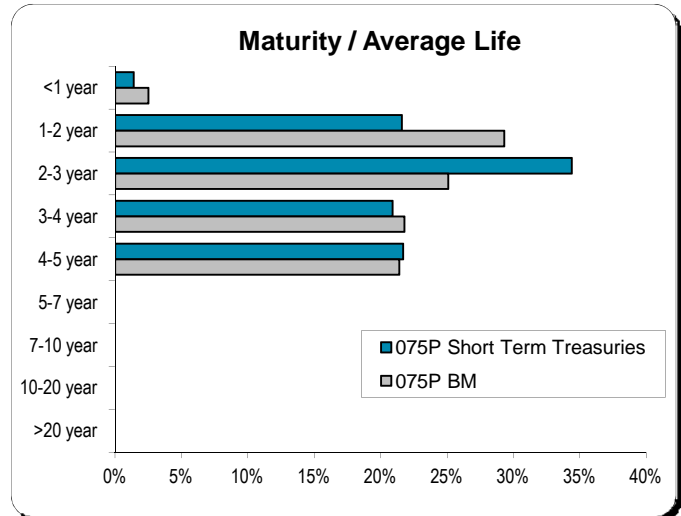
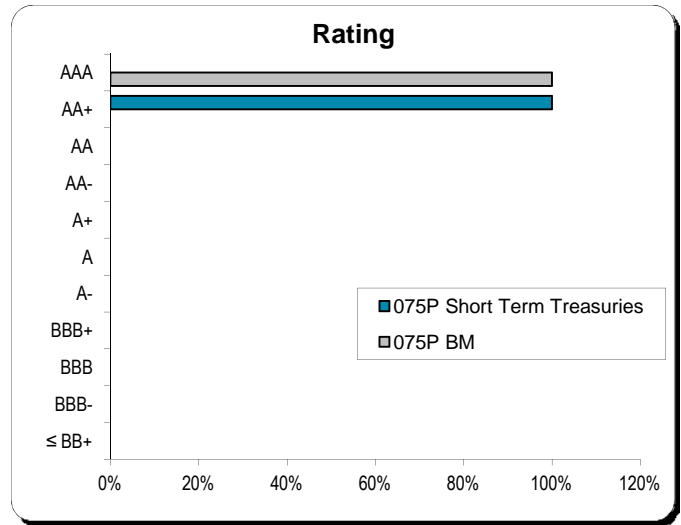
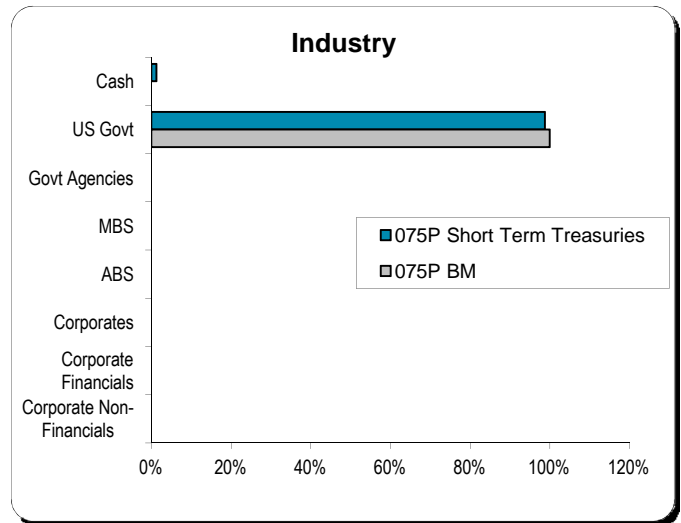
Annualized Returns	Portfolio	Benchmark	Outperform. *
Month	0.02%	0.01%	+ 0.01%
Quarter	-1.15%	-1.18%	+ 0.03%
FYTD	-1.15%	-1.18%	+ 0.03%
CYTD	0.97%	1.02%	- 0.05%
1 Year	0.97%	1.02%	- 0.05%
2 Year	0.92%	0.97%	- 0.05%
3 Year	n/a	n/a	n/a
5 Year	n/a	n/a	n/a
Inception (4/1/14)	1.00%	1.04%	- 0.05%

Annualized Performance Measures since Inception (4/14)			
StDev	1.46%	1.46%	+
Sharpe Ratio	(1.05)	(1.01)	-
Tracking Error	0.05%	n/a	
Info Ratio	(0.91)	n/a	
Monthly Alpha	-0.01%	n/a	-
Beta	1.00	1.00	-
BM Correl	1.00	1.00	

Relative Performance		# Months	Average
Up Months	Above BM	8	0.01%
	Below BM	9	-0.01%
Down Months	Above BM	7	0.00%
	Below BM	9	-0.01%

Stress Tests	P&L (\$000)	% Ret.
Int. Rates Up 100bps	\$ (4,323)	-2.64%
Cred. Sprds up 100 bps	\$ (4,321)	-2.64%

\* computed outperformance may not match portfolio/benchmark returns due to rounding.





# Congress Intermediate Domestic Fixed Income

12/31/2016

Portfolio Manager **Jeff Porter** since June 2002  
Benchmark BC Intermediate US Govt/Credit

	Portfolio	Benchmark
Market Value (\$000)	\$ 417,298	n/a
# Issues	49	5,186
Avg Coupon	2.68%	2.44%
Avg Rating	AA	AA/Aa2
Avg Maturity	4.20	4.39
Avg Yield	1.90%	2.11%
Avg Mod. Duration	3.82	4.05
Avg. Convexity	0.23	0.23

Annualized Returns	Portfolio	Benchmark	Outperform. *
Month	0.05%	0.07%	- 0.02%
Quarter	-2.09%	-2.07%	- 0.03%
FYTD	-2.09%	-2.07%	- 0.03%
CYTD	1.96%	2.07%	- 0.11%
1 Year	1.96%	2.07%	- 0.11%
2 Year	1.53%	1.57%	- 0.04%
3 Year	2.12%	2.09%	+ 0.03%
5 Year	1.72%	1.85%	- 0.13%
Inception (5/31/02)	4.57%	4.02%	+ 0.55%

Annualized Performance Measures since Inception (06/02)			
StDev	3.21%	3.03%	-
Sharpe Ratio	0.64	0.49	+
Tracking Error	1.04%	n/a	
Info Ratio	0.53	n/a	
Monthly Alpha	0.04%	n/a	-
Beta	0.99	1.00	+
BM Correl	0.94	1.00	

Relative Performance		# Months	Average
Up Months	Above BM	65	0.18%
	Below BM	51	-0.13%
Down Months	Above BM	29	0.22%
	Below BM	30	-0.12%

\* computed outperformance may not match portfolio/benchmark returns due to rounding.

Stress Tests	P&L (\$000)	% Ret.
Int. Rates Up 100bps	\$ (15,721)	-3.77%
Cred. Sprds up 100 bps	\$ (14,001)	-3.36%

