



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

For Immediate Release: August 2, 2019
Media Contact: Rich Copp 617-278-1031
Investor Contact: Debra Sloan 857-282-0952

Partners HealthCare Reports Third Quarter 2019 Financial Results

BOSTON, MA – Partners HealthCare today reported operating income of \$180 million (5.0% operating margin) in the third quarter of fiscal year 2019, which ended on June 30, 2019. Health care provider activity generated operating income of \$185 million during the quarter (see Provider Activity) and insurance activity (AllWays Health Partners) generated an operating loss of \$5 million (see Insurance Activity). In the 2018 third quarter, Partners reported income from operations of \$91 million (2.7% operating margin), including operating income of \$96 million from provider activity and an operating loss of \$5 million from insurance activity.

“We experienced strong financial performance this quarter,” said **Peter K. Markell, Chief Financial Officer and Treasurer at Partners HealthCare**. “This quarter was particularly strong as a result of a significant one-time royalty payment, continued success through our strategic *Partners 2.0* initiative and improved performance in our clinical and research sectors. Our earnings fund investments in patient care programs and capital projects, which enable us to deliver the world-class patient experience that our patients demand and deserve, as well as initiatives that support our research activities and programs that benefit the communities we serve.”

Partners reported an overall gain of \$354 million in the 2019 third quarter, including a non-operating gain of \$174 million. 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 philanthropic and other activity. In the 2018 third quarter, Partners reported an overall gain of \$171 million, including a non-operating gain of \$80 million. The 2018 third quarter non-operating gain reflects the net impact (\$157 million) of Mass Eye & Ear (MEE) joining Partners on April 1, 2018. Accounting rules require the fair value of acquired net assets to be recognized as non-operating gains.

-more-

Health Care Provider & Other Activity (Provider Activity)

Provider activity generated operating income of \$185 million (5.4% operating margin) in the third quarter of 2019 compared with \$96 million (3.0% operating margin) in the third quarter of 2018. Revenue for provider activity increased \$270 million (9%) to \$3.4 billion in the 2019 third quarter. Net patient service revenue increased \$173 million (7%) to \$2.6 billion, primarily reflecting higher patient acuity, growth in utilization of certain services and rate increases. Research revenue increased \$35 million (7%) to \$528 million. Other operating revenue, excluding patient care and research revenue, increased \$61 million (31%) to \$261 million, reflecting the monetization of future royalty income (\$47 million).

Operating expenses attributable to provider activity increased \$180 million (6%) to \$3.2 billion in the 2019 third quarter. Employee compensation and benefits increased \$96 million (6%) to \$1.8 billion. Supplies and other expenses increased \$61 million (8%) to \$836 million reflecting pharmaceuticals (\$32 million, 20%) and medical supplies (\$15 million, 11%). Depreciation and interest expense were flat at \$215 million.

Insurance Activity

Insurance activity resulted in an operating loss of \$5 million in the 2019 third quarter (-2.1% operating margin) and a \$5 million loss in the 2018 third quarter (-1.9% operating margin).

Premium revenue decreased \$21 million (-9%) to \$211 million and medical claims expense decreased \$13 million (-6%) to \$192 million in the 2019 third quarter. AllWays' medical loss ratio (the percentage of insurance premiums that are used to pay medical claims) was 90.7% in 2019 and 88.1% in 2018. The decline in premium revenue and medical claims expense is primarily related to the anticipated conversion of select commercial business from fully-insured to self-insured (administrative services only) status. As of June 30, 2019, approximately 48% of AllWays' 243,124 members were in fully-insured plans and 52% were in self-insured plans (including approximately 100,000 Partners employees and family members).

General and administrative costs decreased \$2 million (-4%) to \$31 million in the 2019 quarter. The administrative expense ratio (the percentage of insurance premiums that are used to pay general and administrative expenses) decreased to 11.1% in 2019 from 13.3% in 2018.

Year-to-Date Consolidated Results

Partners reported income from operations of \$450 million (4.3% operating margin) for the nine months ended June 30, 2019. Provider activity generated operating income of \$464 million (4.7% operating margin) and insurance activity generated an operating loss of \$14 million (-2.2% operating margin). In the comparable prior year period, which includes results for MEE for the third quarter only, Partners reported income from operations of \$275 million (2.7% operating margin), including \$231 million (2.6% operating margin) from provider activity and \$44 million (3.6% operating margin) from insurance activity.

Total operating revenue increased \$382 million (4%) to \$10.4 billion for the nine months ended June 30, 2019, as a 10% growth in provider revenue (\$890 million including revenue received by Partners providers from AllWays Health) was partially offset by a 49% decline in insurance revenue of \$602 million. Revenue for the 2019 period also includes the one-time monetization of future royalty income (\$47 million). Total operating expenses increased \$207 million (2%) to \$9.9 billion, as increases in wages and benefits (\$324 million, 7%), supplies and other expenses (\$224 million, 10%) and depreciation and interest (\$10 million, 2%) were largely offset by a decline in medical claims (\$431 million, -51%).

For the nine months ended June 30, 2019, Partners absorbed \$1.1 billion in Medicare, Medicaid, and Health Safety Net shortfalls due to government reimbursements that fell short of covering the full cost of providing care to Medicare, low-income, and uninsured patients. This is comparable to the shortfall experienced during the same 2018 period.

Partners reported an overall gain of \$514 million for the nine months ended June 30, 2019, including a nonoperating gain of \$64 million. In the comparable 2018 nine-month period Partners reported an overall gain of \$650 million, including nonoperating gains of \$375 million of which \$157 million reflects the net impact of MEE joining Partners.

Partners Reaches Scientific Milestone

The Partners Biobank has surpassed 100,000 participants, making it one of the largest biobanks in the country and helping to accelerate clinical research that will allow Partners' physicians to better understand, treat and prevent diseases in patients now and in the future.

Researchers and clinicians at Brigham and Women's Hospital, Massachusetts General Hospital and other Partners institutions use the Biobank to study how genes, lifestyle and other factors affect people's health and contribute to disease. Through the genotyping of samples, Biobank researchers have also been able to detect potential health issues for participants before any clinical symptoms were present.

Kristine Trudeau from West Springfield, MA was recovering from a double lung transplant when she enrolled in the Biobank. As a nurse, she felt strongly about the importance of participating in something that could help advance medicine and potentially save lives. She didn't know at the time that it would be her life that would be saved.

Several months after enrolling in the Biobank, Trudeau was informed that something was discovered in her sample and she was asked to provide an additional sample to confirm the findings. She tested positive for the BRCA-2 gene, meaning that she was at higher risk for developing breast or ovarian cancer. The Biobank encouraged Kristine to meet with a genetic oncologist who recommended that she immediately begin more aggressive monitoring for breast cancer. She is now in remission and credits her participation in the Biobank with helping her to take control of her health as well as her family's.

###

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)

	June 30, 2019 (unaudited)	September 30, 2018 (audited)
ASSETS		
Current assets		
Cash and equivalents	\$ 443,190	\$ 398,413
Investments	2,592,180	1,942,117
Current portion of investments limited as to use	2,084,805	1,465,354
Patient accounts receivable	1,147,368	1,078,086
Research grants receivable	163,140	154,449
Other current assets	571,457	517,812
Receivable for settlements with third-party payers	125,657	115,561
Total current assets	<u>7,127,797</u>	<u>5,671,792</u>
Investments limited as to use, less current portion	4,462,796	3,716,162
Long-term investments	2,036,575	1,628,972
Net pledges and receivable, less current portion	227,871	246,951
Property and equipment, net	6,556,029	6,401,710
Other assets	613,492	637,944
Total assets	<u>\$ 21,024,560</u>	<u>\$ 18,303,531</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of long-term obligations	\$ 454,414	\$ 459,390
Accounts payable and accrued expenses	764,613	696,890
Accrued medical claims and related expenses	68,619	64,398
Accrued employee compensation and benefits	849,648	854,375
Accrual for settlements with third-party payers	72,105	68,711
Unexpended funds on research grants	257,217	284,178
Total current liabilities	<u>2,466,616</u>	<u>2,427,942</u>
Other liabilities		
Accrued professional liability	510,955	512,516
Accrued employee benefits	911,739	958,275
Interest rate swaps liability	439,188	254,295
Accrued other	198,905	231,954
Long-term obligations, less current portion	5,340,889	4,945,968
Total liabilities	<u>9,868,292</u>	<u>9,330,950</u>
Net assets		
Unrestricted	8,792,238	7,073,335
Donor restricted	2,364,030	1,899,246
Total net assets	<u>11,156,268</u>	<u>8,972,581</u>
Total liabilities and net assets	<u>\$ 21,024,560</u>	<u>\$ 18,303,531</u>

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

	Third Quarter Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Operating revenue				
Net patient service revenue	\$ 2,582,167	\$ 2,402,115	\$ 7,561,877	\$ 6,834,292
Premium revenue	211,086	231,244	605,255	1,221,890
Direct academic and research revenue	406,284	382,940	1,186,126	1,107,050
Indirect academic and research revenue	121,914	110,061	344,987	311,042
Other revenue	262,552	200,187	694,507	536,969
Total operating revenue	3,584,003	3,326,547	10,392,752	10,011,243
Operating expenses				
Employee compensation and benefit expenses	1,782,812	1,690,523	5,239,591	4,915,273
Supplies and other expenses	849,771	790,351	2,451,761	2,227,341
Medical claims and related expenses	150,053	156,239	421,139	852,163
Direct academic and research expenses	406,284	382,940	1,186,126	1,107,050
Depreciation and amortization expenses	169,511	169,664	509,053	497,232
Interest expense	45,253	45,877	135,051	136,981
Total operating expenses	3,403,684	3,235,594	9,942,721	9,736,040
Income from operations	180,319	90,953	450,031	275,203
Nonoperating gains (expenses)				
Income (loss) from investments	223,688	(73,722)	200,780	93,360
Change in fair value of interest rate swaps	(80,128)	23,214	(200,136)	74,654
Other nonoperating gains (expenses)	(21,718)	(29,793)	(96,734)	(33,835)
Academic and research gifts, net of expenses	51,682	2,870	159,934	83,568
Contribution income - affiliates	-	157,312	-	157,312
Total nonoperating gains, net	173,524	79,881	63,844	375,059
Excess of revenues over expenses	353,843	170,834	513,875	650,262
Other changes in net assets				
Funds utilized for property and equipment	9,266	9,088	102,423	22,953
Other changes in net assets	(849)	(478)	2,524	5,905
Cumulative effect of accounting change	-	-	1,100,081	-
Increase in unrestricted net assets	\$ 362,260	\$ 179,444	\$ 1,718,903	\$ 679,120

See Notes to Consolidated Financial Statements (Unaudited)

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

	Nine Months Ended June 30,	
	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 2,183,687	\$ 995,397
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contribution income from contributed asset - affiliates	-	(336,695)
Loss on refunding of debt	836	50,638
Change in fair value of interest rate swaps	200,136	(74,654)
Depreciation and amortization	509,053	497,232
Amortization of bond discount, premium and issuance costs	(8,010)	(6,493)
Net realized and change in unrealized appreciation on investments	(359,037)	(216,798)
Restricted contributions and investment income	(79,070)	(88,962)
Cash premium upon issuance of bonds	-	140,222
Increases (decreases) in cash resulting from a change in		
Patient accounts receivable	(69,282)	(30,593)
Other assets	(37,678)	(123,950)
Accounts payable and accrued expenses	(50,694)	(56,885)
Accrued medical claims and related expenses	4,221	(114,122)
Settlements with third-party payers	(412)	(11,605)
Net cash provided by operating activities	2,293,750	622,732
Cash flows from investing activities:		
Purchases of property and equipment	(660,448)	(468,351)
Cash acquired through affiliations, net	-	11,716
Net (purchases) sales of investments	(2,064,714)	(446,301)
Net cash used for investing activities	(2,725,162)	(902,936)
Cash flows from financing activities:		
Borrowing under line of credit	-	52,848
Repayments under line of credit	(52,848)	-
Payments on long-term obligations	(109,271)	(467,898)
Proceeds from long-term obligations, net of financing costs	559,238	1,349,662
Deposits into refunding trusts	-	(842,020)
Restricted contributions and investment income	79,070	88,962
Net cash provided by financing activities	476,189	181,554
Net increase (decrease) in cash and equivalents	44,777	(98,650)
Cash and equivalents at beginning of period	398,413	739,117
Cash and equivalents at end of period	\$ 443,190	\$ 640,467

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, 2018.

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. Partners HealthCare adopted the following new Accounting Standards Updates (ASU) in 2019: *Revenue From Contracts with Customers* (Revenue Standard); *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* (Financial Instruments Standard); *Presentation of Financial Statements for Not-for-Profit Entities* (Not-For-Profit Standard); and *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Contributions Standard).

The Revenue Standard implements a single framework for recognition of all revenue earned from customers in exchange contracts. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Financial Instruments Standard made changes to the recognition of and measurement of financial assets. Partners HealthCare now records marketable investments at fair value with changes in fair value recognized as nonoperating investment income. The impact of adopting this new accounting guidance resulted in a cumulative effect of accounting change of \$1,100,081 to unrestricted net assets and \$197,183 to donor restricted net assets.

The Not-For-Profit Standard makes targeted changes to the not-for-profit financial reporting model. The primary change under the new guidance is the presentation of two net asset classes versus the previously required three. The guidance also requires new disclosures about information useful for assessing liquidity and availability of resources.

The Contributions Standard clarifies the definition of an exchange and non-exchange transaction and provides guidance on determining whether a nonexchange transaction (contribution) is conditional or unconditional.

3. Income from investments (including realized gains and losses, change in value of 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.
4. Changes in third party payer settlements and other estimates are recorded in the year of the change in estimate. For the three months ended June 30, 2019 and 2018, adjustments to prior year estimates resulted in an increase to operations of \$4,505 and \$16,194, respectively. For the nine months ended June 30, 2019 and 2018, adjustments to prior year estimates resulted in an increase of \$26,672 and \$48,402, respectively.
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 AllWays Health Partners Inc. (AllWays) in 2012 (the RBC Guaranty), PHS has committed to maintain AllWays' 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 2019, AllWays returned capital to PHS of \$100,000 of which \$50,000 was paid in the three months ended June 30, 2019. There were no transfers between AllWays and PHS for the nine months ended June 30, 2018.

Notes to Consolidated Financial Statements
(In Thousands)

6. The current portion of long-term obligations includes payments scheduled to be made over the next twelve months of \$80,464, bonds supported by Partners HealthCare liquidity that can be tendered prior to June 30, 2020 of \$217,700 and bonds supported by bank facilities with financial institutions (standby bond purchase agreements or letters of credit) that expire prior to June 30, 2020 of \$156,250. 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 as well as potential principal amortization under bank facilities' term out provisions due within one year of the balance sheet date to be classified as a current liability.
7. In December 2018 and January 2019, PHS issued \$350,000 and \$50,000, respectively, of Partners HealthCare System Taxable Senior Notes. Proceeds from the notes will be used to finance certain capital projects.

In January 2019, PHS issued \$158,250 of Partners HealthCare System Series 2019 T Revenue Bonds. The bond proceeds were used to refund Massachusetts Eye and Ear Infirmary Series D Bonds (\$55,402), refund Series M-2 Bonds (\$50,000), and repay the borrowing under the credit agreement (\$52,848).

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 June 30, 2019, there were no amounts outstanding under the Agreement. The Agreement expires in June 2020.
9. Effective April 1, 2018, the Foundation of the Massachusetts Eye and Ear Infirmary, Inc. (Mass Eye and Ear) became an affiliate of Partners HealthCare when Partners HealthCare became the sole corporate member of Mass Eye and Ear. As a result of the acquisition, Partners HealthCare recognized \$157,312 included in excess of revenues over expenses on April 1, 2018. Generally accepted accounting principles require the recognition of the fair value of assets and liabilities as of the acquisition date.

**Summary financial data for Mass Eye
and Ear - (GAAP, \$ in 000's)**

	Third Quarter Ended June 30, 2019	Nine Months Ended June 30, 2019
Total operating revenue	<u>\$ 118,208</u>	<u>\$ 329,981</u>
Loss from operations	\$ 5,331	\$ (1,729)
Nonoperating investment income (loss)	<u>16,153</u>	<u>23,873</u>
Excess of revenues over expenses	<u>\$ 21,484</u>	<u>\$ 22,144</u>

PARTNERS HEALTHCARE SYSTEM, INC.: ACUTE CARE SECTOR ⁽¹⁾
UTILIZATION STATISTICS - AS REPORTED

	Third Quarter Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
INPATIENT:				
Discharges	42,665	42,941	126,320	126,291
% Change	-0.6%		0.0%	
Discharge Days	225,675	224,425	679,506	664,349
% Change	0.6%		2.3%	
Average Length of Stay (Days)	5.29	5.23	5.38	5.26
% Change	1.1%		2.3%	
Patient Days	211,249	212,004	641,409	627,082
% Change	-0.4%		2.3%	
Births	4,423	4,433	12,462	12,713
% Change	-0.2%		-2.0%	
OUTPATIENT:				
ATO's	7,495	6,704	20,300	20,102
% Change	11.8%		1.0%	
ED Observations	2,367	2,325	6,716	7,111
% Change	1.8%		-5.6%	
Day Surgery	26,227	25,641	75,427	62,189
% Change	2.3%		21.3%	
Ambulatory visits	519,240	506,317	1,477,379	1,333,624
% Change	2.6%		10.8%	
ER Visits	112,165	108,025	325,313	311,258
% Change	3.8%		4.5%	
Procedures	449,596	435,553	1,272,303	1,230,408
% Change	3.2%		3.4%	
Major Imaging	118,020	104,918	326,024	292,709
% Change	12.5%		11.4%	
Minor Imaging	319,701	297,261	902,380	871,020
% Change	7.5%		3.6%	
Treatments	263,661	235,091	751,378	694,862
% Change	12.2%		8.1%	
Therapies	333,910	347,235	979,103	953,833
% Change	-3.8%		2.6%	
Lab Services	2,797,368	2,602,604	7,851,732	7,440,050
% Change	7.5%		5.5%	
CASE MIX INDEX (CMI) ⁽²⁾:				
Combined Academic (The General & BWH)	2.00	1.99	2.01	1.97
	0.5%		2.0%	
Combined Community (BWFH, NSMC & NWH)	1.20	1.20	1.21	1.18
	0.0%		2.5%	

⁽¹⁾ Includes data from The General, BWH, BWFH, NSMC, NWH, Cooley Dickinson, Nantucket, Martha's Vineyard, Wentworth-Douglass and Mass Eye and Ear for the period 10/1/18-6/30/19.

⁽²⁾ CMI based on APR-DRG version 30, NY weight

PARTNERS HEALTHCARE SYSTEM, INC.: ACUTE CARE SECTOR ⁽¹⁾
UTILIZATION STATISTICS - SAME FACILITY

	Third Quarter Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
INPATIENT:				
Discharges	42,314	42,614	125,324	125,964
% Change	-0.7%		-0.5%	
Discharge Days	224,489	223,198	675,924	663,122
% Change	0.6%		1.9%	
Average Length of Stay (Days)	5.31	5.24	5.39	5.26
% Change	1.3%		2.5%	
Patient Days	210,155	210,704	637,951	625,782
% Change	-0.3%		1.9%	
Births	4,423	4,433	12,462	12,713
% Change	-0.2%		-2.0%	
OUTPATIENT:				
ATO's	7,495	6,704	20,300	20,102
% Change	11.8%		1.0%	
ED Observations	2,367	2,325	6,716	7,111
% Change	1.8%		-5.6%	
Day Surgery	19,703	19,004	56,618	55,552
% Change	3.7%		1.9%	
Ambulatory visits	458,108	441,671	1,300,924	1,268,978
% Change	3.7%		2.5%	
ER Visits	106,536	102,532	309,420	305,765
% Change	3.9%		1.2%	
Procedures	449,596	435,553	1,272,303	1,230,408
% Change	3.2%		3.4%	
Major Imaging	113,515	100,642	312,861	288,433
% Change	12.8%		8.5%	
Minor Imaging	318,025	297,261	898,151	871,020
% Change	7.0%		3.1%	
Treatments	263,661	235,091	751,378	694,862
% Change	12.2%		8.1%	
Therapies	333,910	347,235	979,103	953,833
% Change	-3.8%		2.6%	
Lab Services	2,797,368	2,602,604	7,851,732	7,440,050
% Change	7.5%		5.5%	
CASE MIX INDEX (CMI)⁽²⁾:				
Combined Academic (The General & BWH)	2.00	1.99	2.01	1.97
	0.5%		2.0%	
Combined Community (BWFH, NSMC & NWH)	1.20	1.20	1.21	1.18
	0.0%		2.5%	

⁽¹⁾ Includes data from The General, BWH, BWFH, NSMC, NWH, Cooley Dickinson, Wentworth-Douglas, Nantucket and Martha's Vineyard.

⁽²⁾ CMI based on APR-DRG version 30, NY weight

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

	Third Quarter Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
REHABILITATION				
Inpatient:				
Discharges	1,091	1,099	3,203	3,332
% Change	-0.7%		-3.9%	
Discharge Days	24,764	25,277	75,659	75,658
% Change	-2.0%		0.0%	
Average Length of Stay (Days)	22.70	23.00	23.62	22.71
% Change	-1.3%		4.0%	
Patient Days	24,495	25,245	74,923	76,238
% Change	-3.0%		-1.7%	
Outpatient:				
Home Health	458,103	137,714	1,342,339	474,275
% Change	232.6%		183.0%	
Therapies	279,390	229,973	818,756	648,906
% Change	21.5%		26.2%	

Note: Rehabilitation sector includes Spaulding Boston, Spaulding Cambridge, Spaulding Cape Cod and Partners HealthCare at Home

PSYCHIATRIC

Inpatient:				
Discharges	1,527	1,568	4,482	4,636
% Change	-2.6%		-3.3%	
Discharge Days	19,499	17,716	55,123	51,870
% Change	10.1%		6.3%	
Average Length of Stay (Days)	12.77	11.30	12.30	11.19
% Change	13.0%		9.9%	
Patient Days	18,014	17,657	54,325	52,562
% Change	2.0%		3.4%	
Outpatient:				
Psychiatric Services	34,440	30,630	99,868	91,370
% Change	12.4%		9.3%	

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

	Third Quarter Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Medical loss ratio ⁽¹⁾	90.7%	88.1%	89.1%	87.9%
% Change	2.6%		1.2%	
Administrative expense ratio	11.1%	13.3%	12.5%	8.3%
% Change	-2.2%		4.2%	
Total members	243,124	130,190	243,124	130,190
% Change	86.7%		86.7%	

⁽¹⁾ 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
Ambulatory visits	Includes office/outpatient services, consults, preventive medicine and psychiatric visit - clinic O/P
ER Visits	Emergency room visits
Procedures	Includes integumentary, musculoskeletal, oral & maxillofacial surg, respiratory, cardiovascular, hemic/lymphatic, mediastinum/disphragm, digestive, urinary, female/male genital, endocrine, nervous system, eye/ocular adnexa and auditory
Major Imaging	Includes MRI, CT Scan, nuclear medicine and PET Scan
Minor Imaging	Includes radiology diagnostic, ultrasound, breast imaging and 3D reconstruction
Treatments	Includes chemotherapy, radiation therapy, non chemo infusions, dialysis, electroconvulsive therapy and dental
Therapies	Includes respiratory/pulmonary therapy, physical therapy, occupational therapy, speech language pathology, cardiac rehabilitation and nutrition
Lab Services	Lab services
Home Health	Nurse visits, aide visits, physical therapy, occupational therapy, speech-language pathology, registered dietician, medical social work, telemedicine and private duty converted hours
Psychiatric Services	Includes partial days, ART days, individual therapy, group therapy, family therapy, child and adolescent days and other therapies
Case Mix Index	The average diagnosis-related-group weight for all of a hospital's inpatient volume
Medical Loss Ratio	Medical expense as a percentage of premium revenue

PARTNERS HEALTHCARE SYSTEM, INC.: INVESTMENT LIQUIDITY & DEBT BACKED BY SELF LIQUIDITY
as of June 30, 2019
(In Thousands)

INVESTMENT LIQUIDITY⁽¹⁾

Investment Pool	Funds Available						Total
	Same Day	1 Week	1 Month	3 Months	1 Year	>1 Year	
Money Market	\$338,697	-	-	-	-	-	\$338,697
Aggregate Bond	454,599	68,455	60,098	-	-	-	583,152
Long Term	218,181	1,631,149	2,169,979	1,353,861	1,422,399	2,749,650	9,545,220
Total	\$1,011,477	\$1,699,604	\$2,230,076	\$1,353,861	\$1,422,399	\$2,749,650	\$10,467,068
Cumulative Total	\$1,011,477	\$2,711,081	\$4,941,157	\$6,295,019	\$7,717,418	\$10,467,068	

DEBT BACKED BY SELF LIQUIDITY

Debt Mode	Funds Required						Total
	Same Day	1 Week	1 Month	3 Months	1 Year	>1 Year	
Flexible Rate ⁽²⁾	-	\$72,690	\$14,040	\$61,385	\$19,585	-	\$167,700
Index Floating Rate	-	-	-	-	50,000	390,050	440,050
Term Rate	-	-	-	-	-	131,185	131,185
Total	-	\$72,690	\$14,040	\$61,385	\$69,585	\$521,235	\$738,935
Cumulative Total	-	\$72,690	\$86,730	\$148,115	\$217,700	\$738,935	

⁽¹⁾ Excludes ERISA.

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

Money Market Pool

6/30/2019

Portfolio Manager
Benchmark

Various
iMoneyNet Money Market Fund Average/All Taxable

	Portfolio	Benchmark
Market Value (\$000)	\$ 338,697	n/a
Avg Rating	AAA	A1/P1
Avg Maturity (Days)	1.0	n/a
Avg Life (Days)	1.0	n/a
Avg Yield	2.35%	n/a

Net Asset Value	1.0
-----------------	-----

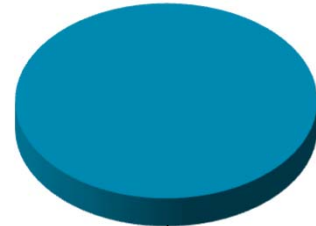
Annualized Returns	Portfolio	Benchmark	Outperform. *
Month	0.21%	0.17%	+ 0.05%
Quarter	0.58%	0.51%	+ 0.07%
FYTD	1.68%	1.50%	+ 0.19%
CYTD	1.19%	1.02%	+ 0.16%
1 Year	2.26%	1.90%	+ 0.36%
2 Year	1.74%	1.43%	+ 0.31%
3 Year	1.32%	1.04%	+ 0.27%
5 Year	0.83%	0.64%	+ 0.19%
Inception (12/31/94)	2.66%	2.21%	+ 0.44%

Annualized Performance Measures since Inception (01/05)			
StDev	0.64%	0.61%	-
Sharpe Ratio	0.34	(0.37)	+
Tracking Error	0.07%	n/a	
Info Ratio	6.51	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	281	0.038%
	Below BM	13	
Down Months	Above BM	0	
	Below BM	0	

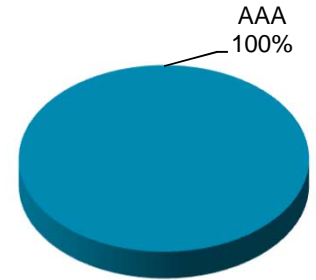
* computed outperformance may not match portfolio/benchmark returns due to rounding.

Instruments



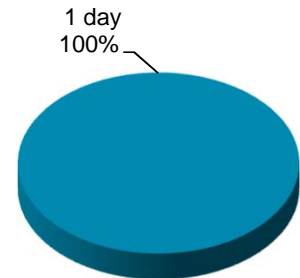
Mutual Funds
100%

S&P Quality Breakdown



AAA
100%

Maturity Breakdown



1 day
100%

Congress Short Term Treasuries

6/30/2019

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

	Portfolio	Benchmark
Market Value (\$000)	\$ 145,034	n/a
# Issues	14	151
Avg Coupon	2.17%	2.15%
Avg Rating	AAA	AAA
Avg Maturity	2.82	2.81
Avg Yield	1.77%	1.77%
Avg Mod. Duration	2.70	2.69
Avg. Convexity	0.10	0.10

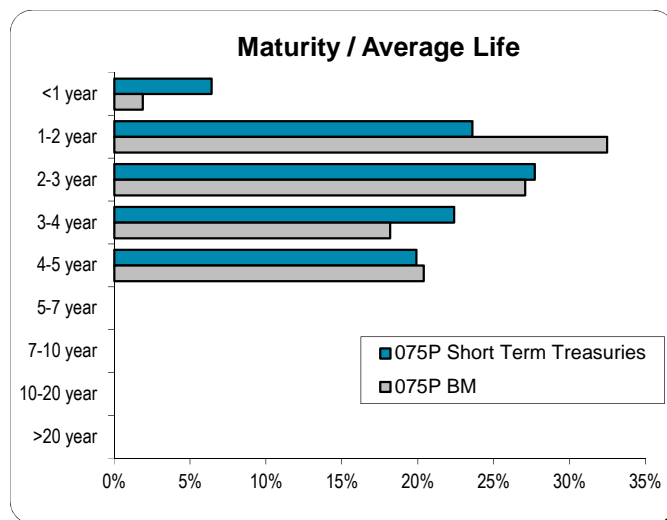
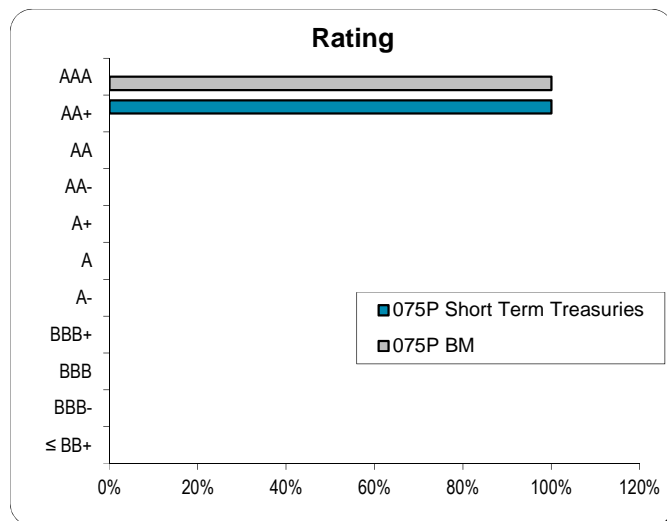
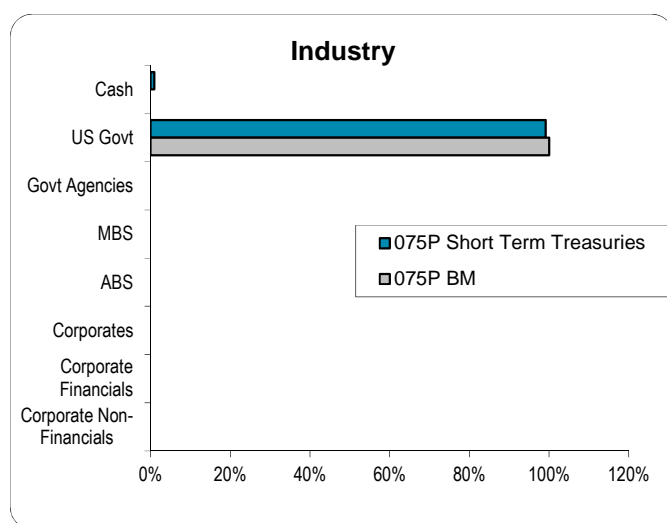
Annualized Returns	Portfolio	Benchmark	Outperform. *
Month	0.65%	0.66%	- 0.02%
Quarter	1.83%	1.86%	- 0.03%
FYTD	4.83%	4.91%	- 0.08%
CYTD	3.05%	3.11%	- 0.06%
1 Year	4.85%	4.96%	- 0.11%
2 Year	2.14%	2.25%	- 0.11%
3 Year	1.21%	1.30%	n/a
5 Year	1.44%	1.53%	n/a
Inception (4/1/14)	1.47%	1.55%	- 0.08%

Annualized Performance Measures since Inception (4/14)			
StDev	1.43%	1.43%	+
Sharpe Ratio	(0.68)	(0.62)	-
Tracking Error	0.05%	n/a	
Info Ratio	(1.56)	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	10	0.01%
	Below BM	26	-0.01%
Down Months	Above BM	9	0.00%
	Below BM	18	-0.01%

Stress Tests	P&L (\$000)	% Ret.
Int. Rates Up 100bps	\$ (1,395)	-0.96%
Cred. Sprds up 100 bps	\$ (1,398)	-0.96%

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



Congress Intermediate Domestic Fixed Income

6/30/2019

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

	Portfolio	Benchmark
Market Value (\$000)	\$ 306,144	n/a
# Issues	34	4,886
Avg Coupon	2.88%	2.71%
Avg Rating	AA-	AA/AA-
Avg Maturity	4.22	4.32
Avg Yield	2.11%	2.13%
Avg Mod. Duration	3.87	3.92
Avg. Convexity	0.22	0.22

Annualized Returns	Portfolio	Benchmark	Outperform. *
Month	1.08%	1.07%	+ 0.01%
Quarter	2.51%	2.59%	- 0.08%
FYTD	6.70%	6.70%	- 0.00%
CYTD	5.01%	4.97%	+ 0.04%
1 Year	7.09%	6.93%	+ 0.16%
2 Year	3.14%	3.11%	+ 0.03%
3 Year	1.82%	1.99%	- 0.16%
5 Year	2.35%	2.39%	- 0.04%
Inception (5/31/02)	4.35%	3.89%	+ 0.45%

Annualized Performance Measures since Inception (06/02)			
StDev	3.06%	2.90%	-
Sharpe Ratio	0.62	0.50	+
Tracking Error	1.04%	n/a	
Info Ratio	0.44	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	72	0.17%
	Below BM	64	-0.12%
Down Months	Above BM	32	0.20%
	Below BM	37	-0.11%

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

Stress Tests	P&L (\$000)	% Ret.
Int. Rates Up 100bps	\$ (8,492)	-2.77%
Cred. Sprds up 100 bps	\$ (7,800)	-2.55%

