



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

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Partners HealthCare Reports 2019 Financial Results

BOSTON, MA – Partners HealthCare today reported operating income of \$484 million (3.5% operating margin) in fiscal year 2019, which ended on September 30, 2019. Health care provider activity generated operating income of \$511 million (see Provider Activity) and insurance activity (AllWays Health Partners) generated an operating loss of \$27 million (see Insurance Activity). In 2018, Partners reported income from operations of \$310 million (2.3% operating margin), including operating income of \$273 million from provider activity and \$37 million from insurance activity.

“Our primary areas of focus – the delivery of the best patient care possible and the pursuit of new cures through research – helped deliver very strong operating results for our system. The results are a testament to the hard work, dedication and compassion of our 75,000 employees,” said **Peter K. Markell, Chief Financial Officer and Treasurer at Partners HealthCare**. “Next year, as we begin to implement our new strategy under the Mass General Brigham brand, we will continue to execute on efforts to manage our overall efficiency and improve the patient experience through major investments in digital health and new, more convenient ambulatory locations.”

For the year ended September 30, 2019, Partners absorbed \$1.6 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, an increase of \$120 million (8%) over the shortfall experienced in 2018.

Partners reported an overall gain of \$486 million in 2019, including a non-operating gain of \$2 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 2018, Partners reported an overall gain of \$827 million, including a non-operating gain of \$517 million. The 2018 non-operating gain reflects the net impact (\$157 million) of Mass Eye & Ear joining Partners on April 1, 2018. Accounting rules require the fair value of acquired net assets to be recognized as non-operating gains.

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Health Care Provider & Other Activity (Provider Activity)

Provider activity generated operating income of \$511 million (3.8% operating margin) in 2019 compared with \$273 million (2.2% operating margin) in 2018. Revenue for provider activity increased \$1.2 billion (10%), to \$13.3 billion in 2019. This includes \$212 million (2% of the increase) for an additional six months of Mass Eye & Ear activity in 2019 (results for Mass Eye & Ear are incorporated as of April 1, 2018). Net patient service revenue increased \$813 million (9%) to \$10.3 billion (including revenue received by Partners providers from AllWays Health), reflecting higher patient acuity, growth in utilization of certain services and rate increases. Research revenue increased \$151 million (8%) to \$2.1 billion, reflecting growth in government-sponsored and corporate-sponsored research activity. Other operating revenue, excluding patient care and research revenue, increased \$212 million (29%) to \$952 million, primarily due to specialty pharmacy revenue, royalty income and intellectual property revenue.

Operating expenses attributable to provider activity increased \$938 million (8%) to \$12.8 billion in 2019. This includes \$219 million (2% of the increase) for an additional six months of Mass Eye & Ear activity in 2019. Employee compensation and benefits increased \$491 million (8%) to \$7.1 billion, including increases in health claims (\$37 million, 6%) and costs associated with a voluntary retirement offering to certain community hospital employees during the 2019 fourth quarter (\$32 million). Supplies and other expenses increased \$325 million (11%) to \$3.3 billion reflecting increases in clinical supplies (\$223 million, 19%) which includes an increase in system-wide pharmaceutical costs (inclusive of specialty and retail pharmacy costs), as well as implants, blood products and routine medical supplies. Depreciation and interest expense increased \$13 million (2.0%) to \$866 million.

Insurance Activity

Insurance activity resulted in an operating loss of \$27 million (-3.3% operating margin) in 2019 and an operating gain of \$37 million (2.6% operating margin) in 2018. The 2019 operating loss reflects ongoing challenges in implementing the MassHealth ACO program, achieving targeted profitability of the individual lines of business, and an elevated administrative expense ratio due to smaller scale. Underwriting margins in group commercial activity remain strong.

Premium revenue decreased \$631 million (-44%) to \$794 million and medical claims expense decreased \$531 million (-43%) to \$718 million in 2019. AllWays Health's medical loss ratio (the

percentage of insurance premiums that are used to pay medical claims) was 90.4% in 2019 and 87.6% 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 September 30, 2019, approximately 47% of AllWays Health's 237,516 members were in fully-insured plans and 53% were in self-insured plans (including approximately 100,000 Partners employees and family members).

"AllWays Health Partners remains focused on growing its commercial business as it continues to develop and introduce innovative products into the marketplace," said **Markell**. "At the same time, the transition to the MassHealth Accountable Care Organization model, which the state implemented in 2018, has created challenges as AllWays strives to align its administrative expense base with a smaller revenue base."

General and administrative costs decreased \$15 million (-11%) to \$126 million in 2019. However, the administrative expense ratio (the percentage of insurance premiums that are used to pay general and administrative expenses) increased to 12.3% in 2019 from 9.4% in 2018.

Fourth Quarter Consolidated Results

Partners reported income from operations of \$34 million (1.0% operating margin) for the quarter ended September 30, 2019. Provider activity generated operating income of \$47 million (1.4% operating margin) and insurance activity generated an operating loss of \$13 million (-6.7% operating margin). In the comparable prior year quarter, Partners reported income from operations of \$35 million (1.1% operating margin), including operating income of \$42 million (1.3% operating margin) from provider activity and an operating loss of \$7 million (-3.4% operating margin) from insurance activity.

Total operating revenue increased \$263 million (8%) to \$3.6 billion for the three months ended September 30, 2019, as growth in provider revenue (\$286 million, 9%, including revenue received by Partners providers from AllWays Health) was partially offset by a decline in insurance revenue (-\$8 million, -4%). Total operating expenses increased \$263 million (8%) to \$3.5 billion, as increases in wages and benefits (\$150 million, 9%, including \$32 million for the voluntary retirement offering), supplies and other expenses (\$87 million, 11%) and depreciation and interest (\$3 million, 1%) were partially offset by a decline in medical claims (-\$7 million, -5%).

Partners reported an overall loss of \$28 million for the quarter ended September 30, 2019, including a nonoperating loss of \$62 million. In the comparable 2018 quarter Partners reported an overall gain of \$148 million, including nonoperating gains of \$113 million.

Investing in Research and Innovation

Partners HealthCare is one of the nation's largest research enterprises and last month, announced the creation of two new investment funds aimed at addressing the lack of translational funding in pre-clinical life sciences, Artificial Intelligence (AI) and digital technology development. The funds will support ventures that develop new drugs and technologies based on inventions originating from Partners researchers and investigators as well as companies who will work with Partners institutions to develop digital solutions. The investments will accelerate the application of medical research, enabling patients to more quickly benefit from life-changing breakthroughs and at the same time help to fuel the life sciences and digital health industries throughout the region.

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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)

	<u>September 30, 2019</u> (audited)	<u>September 30, 2018</u> (audited)
ASSETS		
Current assets		
Cash and equivalents	\$ 283,807	\$ 398,413
Investments	2,791,502	1,942,117
Current portion of investments limited as to use	2,235,171	1,465,354
Patient accounts receivable	1,129,594	1,078,086
Research grants receivable	136,557	154,449
Other current assets	556,954	517,812
Receivable for settlements with third-party payers	116,791	115,561
Total current assets	7,250,376	5,671,792
Investments limited as to use, less current portion	4,498,716	3,716,162
Long-term investments	1,997,617	1,628,972
Net pledges and contributions receivable, less current portion	284,924	246,951
Property and equipment, net	6,557,206	6,401,710
Other assets	643,534	637,944
Total assets	\$ 21,232,373	\$ 18,303,531
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of long-term obligations	\$ 455,165	\$ 459,390
Accounts payable and accrued expenses	790,820	696,890
Accrued medical claims and related expenses	57,550	64,398
Accrued employee compensation and benefits	932,870	854,375
Accrual for settlements with third-party payers	75,287	68,711
Unexpended funds on research grants	262,017	284,178
Total current liabilities	2,573,709	2,427,942
Other liabilities		
Accrued professional liability	542,136	512,516
Accrued employee benefits	2,410,974	958,275
Interest rate swaps liability	510,579	254,295
Accrued other	187,060	231,954
Long-term obligations, less current portion	5,260,196	4,945,968
Total liabilities	11,484,654	9,330,950
Net assets		
Unrestricted	7,358,335	7,073,335
Donor restricted	2,389,384	1,899,246
Total net assets	9,747,719	8,972,581
Total liabilities and net assets	\$ 21,232,373	\$ 18,303,531

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

	<u>Fourth Quarter Ended</u> <u>September 30,</u>		<u>Twelve Months Ended</u> <u>September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Operating revenues				
Net patient service revenue	\$ 2,583,273	\$ 2,404,826	\$ 10,145,150	\$ 9,239,118
Premium revenue	186,101	198,599	791,356	1,420,489
Direct academic and research revenue	407,959	378,417	1,594,085	1,485,467
Indirect academic and research revenue	118,260	109,517	463,247	420,559
Other revenue	262,992	204,667	957,499	741,636
Total operating revenues	<u>3,558,585</u>	<u>3,296,026</u>	<u>13,951,337</u>	<u>13,307,269</u>
Operating expenses				
Employee compensation and benefit expenses	1,870,418	1,720,308	7,110,009	6,635,581
Supplies and other expenses	887,570	800,491	3,339,331	3,027,832
Medical claims and related expenses	134,971	141,707	556,110	993,870
Direct academic and research expenses	407,959	378,417	1,594,085	1,485,467
Depreciation and amortization expenses	177,321	176,798	686,374	674,030
Interest expense	45,871	43,609	180,922	180,590
Total operating expenses	<u>3,524,110</u>	<u>3,261,330</u>	<u>13,466,831</u>	<u>12,997,370</u>
Income from operations	<u>34,475</u>	<u>34,696</u>	<u>484,506</u>	<u>309,899</u>
Nonoperating gains (expenses)				
Income (loss) from investments	(17,951)	76,804	182,829	198,118
Change in fair value of interest rate swaps	(71,391)	56,528	(271,527)	131,182
Other nonoperating income (expenses)	(27,177)	(27,486)	(123,911)	(61,321)
Academic and research gifts, net of expenses	54,333	7,847	214,267	91,415
Contribution income - affiliates	-	-	-	157,312
Total nonoperating (expenses) gains, net	<u>(62,186)</u>	<u>113,693</u>	<u>1,658</u>	<u>516,706</u>
Excess (deficit) of revenues over expenses	<u>(27,711)</u>	<u>148,389</u>	<u>486,164</u>	<u>826,605</u>
Other changes in net assets				
Change in net unrealized appreciation on marketable investments	-	(62,289)	-	(90,243)
Funds utilized for property and equipment	9,218	16,099	111,641	39,052
Change in funded status of defined benefit plans	(1,415,364)	399,318	(1,415,364)	399,318
Other changes in net assets	(46)	3,528	2,478	9,433
Cumulative effect of accounting change	-	-	1,100,081	-
Increase (decrease) in unrestricted net assets	<u>\$ (1,433,903)</u>	<u>\$ 505,045</u>	<u>\$ 285,000</u>	<u>\$ 1,184,165</u>

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

	Twelve Months Ended September 30,	
	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 775,138	\$ 1,508,472
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contribution income from contributed asset - affiliates	-	(323,593)
Change in funded status of defined benefit plans	1,415,364	(399,318)
Loss on refunding of debt	836	50,638
Change in fair value of interest rate swaps	271,527	(130,115)
Depreciation and amortization	686,374	674,030
Provision for bad debts	-	165,861
Amortization of bond discount, premium and issuance costs	(10,698)	(9,163)
(Gain) loss on disposal of property	(129)	104
Net realized and change in unrealized appreciation on investments	(381,166)	(270,254)
Cumulative effect of accounting change	(1,297,264)	
Restricted contributions and investment income	(303,785)	(106,734)
Cash premium upon issuance of bonds	-	140,222
Increases (decreases) in cash resulting from a change in		
Patient accounts receivable	(51,508)	(238,003)
Other assets	(41,960)	(83,911)
Accounts payable and accrued expenses	136,895	42,430
Accrued medical claims and related expenses	(6,848)	(131,639)
Settlements with third-party payers	(1,887)	9,923
Net cash provided by operating activities	1,190,889	898,950
Cash flows from investing activities:		
Purchases of property and equipment	(837,584)	(647,470)
Proceeds from sale of property	410	69
Net (purchases) sales of investments	(1,091,971)	(738,995)
Cash acquired through affiliations, net	-	5,955
Net cash used for investing activities	(1,929,145)	(1,380,441)
Cash flows from financing activities:		
Borrowing under line of credit	-	52,848
Repayments under line of credit	(52,848)	-
Payments on long-term obligations	(81,071)	(76,740)
Proceeds from long-term obligations, net of financing costs	559,238	1,350,741
Deposits into refunding trusts	(105,454)	(1,292,796)
Restricted contributions and investment income	303,785	106,734
Net cash provided by financing activities	623,650	140,787
Net decrease in cash and equivalents	(114,606)	(340,704)
Cash and equivalents at beginning of period	398,413	739,117
Cash and equivalents at end of period	\$ 283,807	\$ 398,413

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, 2019.

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 Revenue Standard was adopted on October 1, 2018 using the modified retrospective transition method. The adoption of this standard did not have a significant impact on operations of Partners HealthCare and applicable disclosure have been included.

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 Financial Instruments Standard was adopted on October 1, 2018 with prospective application and a cumulative effect adjustment at the date of adoption. 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 Not-For-Profit Standard was adopted on October 1, 2018 using the retrospective transition method. The adoption of this standard did not have a significant impact on operations of Partners HealthCare.

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. The Contributions Standard was adopted on October 1, 2018 using the modified prospective transition method. The adoption of this standard did not have a significant impact on operations of Partners HealthCare.

3. Income from investments (including realized gains and losses, unrealized 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. Prior to adoption of the Financial Instruments Standard, the change in net unrealized appreciation on certain marketable investments was excluded from excess of revenues over 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 September 30, 2019 and 2018, adjustments to prior year estimates resulted in an increase to operations of \$13,776 and \$3,275, respectively. For the twelve months ended September 30, 2019 and 2018, adjustments to prior year estimates resulted in an increase of \$40,448 and \$51,677, respectively.

Notes to Consolidated Financial Statements
(In Thousands)

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 of \$100,000 to PHS. In 2018, PHS provided capital to AllWays of \$4,000.
6. The current portion of long-term obligations includes payments scheduled to be made over the next twelve months of \$83,720 bonds supported by Partners HealthCare liquidity that can be tendered prior to September 30, 2020 of \$215,195 and bonds supported by bank facilities with financial institutions (standby bond purchase agreements or letters of credit) that expire prior to September 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. Partners HealthCare maintains a \$150,000 Credit Agreement (the Credit Agreement) that provides access to same day funds. Advances under the Credit Agreement bear a variable rate of interest based on the London Interbank Offered Rate (LIBOR). As of September 30, 2019, there were no amounts outstanding under the Credit Agreement. The Credit Agreement expires in June 2020.
8. In December 2018 and January 2019, PHS issued \$350,000 and \$50,000, respectively, of Partners HealthCare System Taxable 2018 Senior Notes. Proceeds from the notes were 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).

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)	Six Months Ended September 30, 2018	Twelve Months Ended September 30, 2019
Total operating revenues	<u>\$ 220,061</u>	<u>\$ 447,628</u>
Income from operations	\$ 3,050	\$ 1,775
Nonoperating gains, net	<u>5,096</u>	<u>25,618</u>
Excess of revenues over expenses	<u>\$ 8,146</u>	<u>\$ 27,393</u>

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

	Fourth Quarter Ended September 30,		Twelve Months Ended September 30,	
	2019	2018	2019	2018
INPATIENT:				
Discharges	42,879	42,668	169,199	168,959
% Change	0.5%		0.1%	
Discharge Days	227,878	225,125	907,384	889,474
% Change	1.2%		2.0%	
Average Length of Stay (Days)	5.31	5.28	5.36	5.26
% Change	0.6%		1.9%	
Patient Days	212,810	212,317	854,219	839,399
% Change	0.2%		1.8%	
Births	4,697	4,471	17,159	17,184
% Change	5.1%		-0.1%	
OUTPATIENT:				
ATO's	6,953	6,967	27,253	27,069
% Change	-0.2%		0.7%	
ED Observations	3,001	2,232	9,717	9,343
% Change	34.5%		4.0%	
Day Surgery	24,163	23,843	99,590	86,032
% Change	1.3%		15.8%	
Ambulatory visits	481,558	472,224	1,958,937	1,805,848
% Change	2.0%		8.5%	
ER Visits	116,623	114,503	441,936	425,761
% Change	1.9%		3.8%	
Procedures	423,993	417,798	1,696,296	1,648,206
% Change	1.5%		2.9%	
Major Imaging	114,665	107,473	440,689	400,182
% Change	6.7%		10.1%	
Minor Imaging	305,362	295,660	1,207,742	1,166,680
% Change	3.3%		3.5%	
Treatments	259,416	241,591	1,010,794	936,453
% Change	7.4%		7.9%	
Therapies	314,659	329,310	1,293,762	1,283,143
% Change	-4.4%		0.8%	
Lab Services	2,694,503	2,518,580	10,546,235	9,958,630
% Change	7.0%		5.9%	
CASE MIX INDEX (CMI)⁽²⁾:				
Combined Academic (The General & BWH)	1.98	1.95	2.00	1.97
	1.5%		1.5%	
Combined Community (BWFH, NSMC & NWH)	1.17	1.15	1.20	1.18
	1.7%		1.7%	

⁽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 10/1/18-9/30/19.

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

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

	Fourth Quarter Ended September 30,		Twelve Months Ended September 30,	
	2019	2018	2019	2018
INPATIENT:				
Discharges	42,702	42,325	168,026	168,289
% Change	0.9%		-0.2%	
Discharge Days	227,080	223,759	903,004	886,881
% Change	1.5%		1.8%	
Average Length of Stay (Days)	5.32	5.29	5.37	5.27
% Change	0.6%		1.9%	
Patient Days	211,885	210,983	849,836	836,765
% Change	0.4%		1.6%	
Births	4,697	4,471	17,159	17,184
% Change	5.1%		-0.1%	
OUTPATIENT:				
ATO's	6,953	6,967	27,253	27,069
% Change	-0.2%		0.7%	
ED Observations	3,001	2,232	9,717	9,343
% Change	34.5%		4.0%	
Day Surgery	18,678	17,640	75,296	73,192
% Change	5.9%		2.9%	
Ambulatory visits	422,664	410,530	1,723,588	1,679,508
% Change	3.0%		2.6%	
ER Visits	110,887	108,935	420,307	414,700
% Change	1.8%		1.4%	
Procedures	423,993	417,798	1,696,296	1,648,206
% Change	1.5%		2.9%	
Major Imaging	110,452	103,375	423,313	391,808
% Change	6.8%		8.0%	
Minor Imaging	303,742	295,660	1,201,893	1,166,680
% Change	2.7%		3.0%	
Treatments	259,416	241,591	1,010,794	936,453
% Change	7.4%		7.9%	
Therapies	314,659	329,310	1,293,762	1,283,143
% Change	-4.4%		0.8%	
Lab Services	2,694,503	2,518,580	10,546,235	9,958,630
% Change	7.0%		5.9%	
CASE MIX INDEX (CMI)⁽²⁾:				
Combined Academic (The General & BWH)	1.98	1.95	2.00	1.97
	1.5%		1.5%	
Combined Community (BWFH, NSMC & NWH)	1.17	1.15	1.20	1.18
	1.7%		1.7%	

⁽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

	Fourth Quarter Ended September 30,		Twelve Months Ended September 30,	
	2019	2018	2019	2018
REHABILITATION				
Inpatient:				
Discharges	1,084	1,059	4,287	4,391
% Change	2.4%		-2.4%	
Discharge Days	24,017	28,678	99,676	104,336
% Change	-16.3%		-4.5%	
Average Length of Stay (Days)	22.16	27.08	23.25	23.76
% Change	-18.2%		-2.1%	
Patient Days	25,809	26,303	100,732	102,541
% Change	-1.9%		-1.8%	
Outpatient:				
Home Health	135,576	132,936	546,184	607,211
% Change	2.0%		-10.1%	
Therapies	264,706	220,373	1,083,462	869,279
% Change	20.1%		24.6%	

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

PSYCHIATRIC

Inpatient:				
Discharges	1,500	1,544	5,982	6,180
% Change	-2.8%		-3.2%	
Discharge Days	18,169	18,464	73,292	70,334
% Change	-1.6%		4.2%	
Average Length of Stay (Days)	12.11	11.96	12.25	11.38
% Change	1.3%		7.6%	
Patient Days	18,590	18,472	72,915	71,034
% Change	0.6%		2.6%	
Outpatient:				
Psychiatric Services	31,552	30,893	131,420	122,263
% Change	2.1%		7.5%	

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

	<u>Fourth Quarter Ended September 30,</u>		<u>Twelve Months Ended September 30,</u>	
	2019	2018	2019	2018
Medical loss ratio ⁽¹⁾	94.8%	86.3%	90.4%	87.6%
% Change	8.5%		2.8%	
Administrative expense ratio	11.9%	16.3%	12.3%	9.4%
% Change	-4.4%		2.9%	
Total members	237,516	140,029	237,516	140,029
% Change	69.6%		69.6%	

⁽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 September 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	\$251,956	-	-	-	-	-	\$251,956
Aggregate Bond	459,594	70,043	60,856	-	-	-	590,493
Long Term	31,011	1,593,065	2,236,094	1,716,957	837,611	3,455,405	9,870,143
Total	\$742,561	\$1,663,108	\$2,296,950	\$1,716,957	\$837,611	\$3,455,405	\$10,712,592
Cumulative Total	\$742,561	\$2,405,669	\$4,702,619	\$6,419,576	\$7,257,187	\$10,712,592	

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⁾	-	\$55,275	\$34,040	\$78,385	-	-	\$167,700
Index Floating Rate	-	-	-	-	50,000	390,050	440,050
Term Rate	-	-	-	-	-	131,185	131,185
Total	-	\$55,275	\$34,040	\$78,385	\$50,000	\$521,235	\$738,935
Cumulative Total	-	\$55,275	\$89,315	\$167,700	\$217,700	\$738,935	

⁽¹⁾ Excludes ERISA.

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

Money Market Pool

9/30/2019

Portfolio Manager **Various**
 Benchmark iMoneyNet Money Market Fund Average/All Taxable

	Portfolio	Benchmark
Market Value (\$000)	\$ 251,956	n/a
Avg Rating	AAA	A1/P1
Avg Maturity (Days)	1.0	n/a
Avg Life (Days)	1.0	n/a
Avg Yield	1.98%	n/a

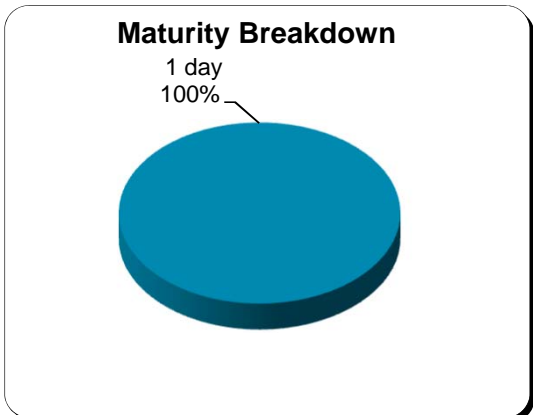
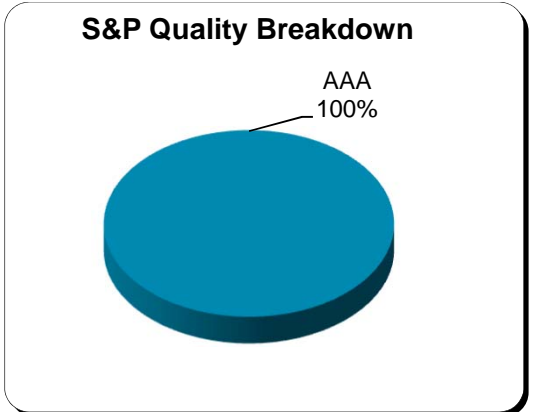
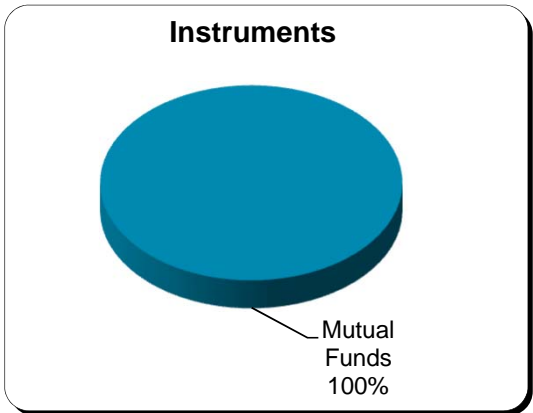
Net Asset Value	1.0
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Annualized Returns	Portfolio	Benchmark	Outperform. *
Month	0.21%	0.14%	+ 0.07%
Quarter	0.66%	0.46%	+ 0.20%
FYTD	2.36%	1.97%	+ 0.39%
CYTD	1.86%	1.49%	+ 0.36%
1 Year	2.36%	1.97%	+ 0.39%
2 Year	1.97%	1.58%	+ 0.39%
3 Year	1.51%	1.19%	+ 0.32%
5 Year	0.96%	0.73%	+ 0.23%
Inception (12/31/94)	2.66%	2.21%	+ 0.45%

Annualized Performance Measures since Inception (01/05)			
StDev	0.64%	0.61%	-
Sharpe Ratio	0.35	(0.37)	+
Tracking Error	0.07%	n/a	
Info Ratio	6.56	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	284	0.038%
	Below BM	13	
Down Months	Above BM	0	
	Below BM	0	

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



Congress Short Term Treasuries

9/30/2019

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

	Portfolio	Benchmark
Market Value (\$000)	\$ 146,898	n/a
# Issues	12	150
Avg Coupon	2.13%	2.11%
Avg Rating	AAA	AAA
Avg Maturity	2.79	2.80
Avg Yield	1.62%	1.64%
Avg Mod. Duration	2.66	2.69
Avg. Convexity	0.10	0.10

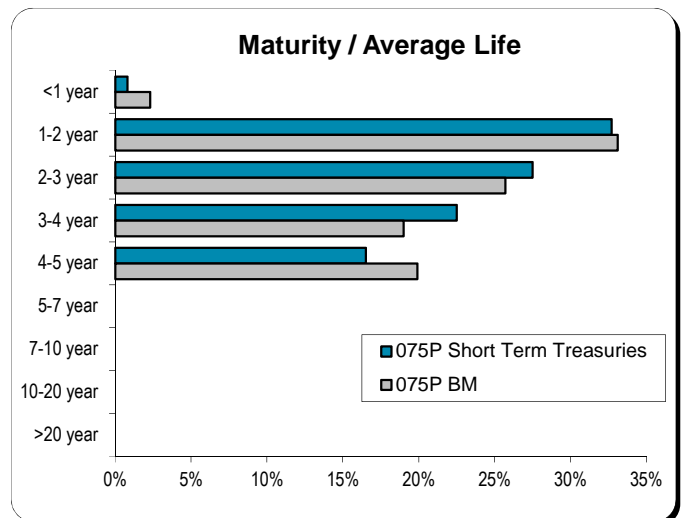
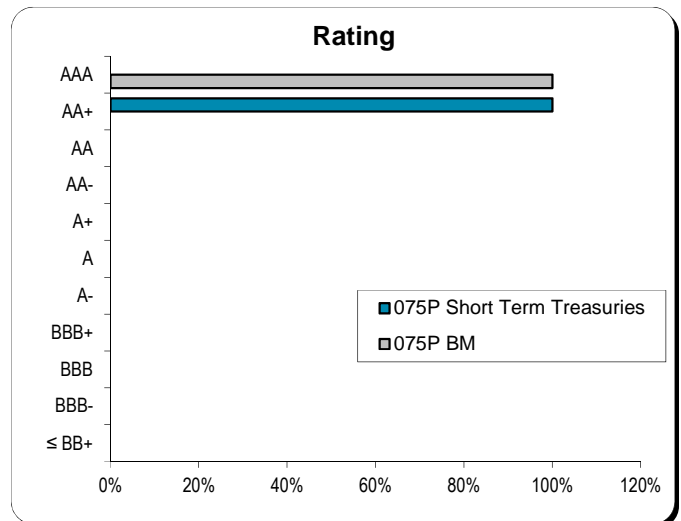
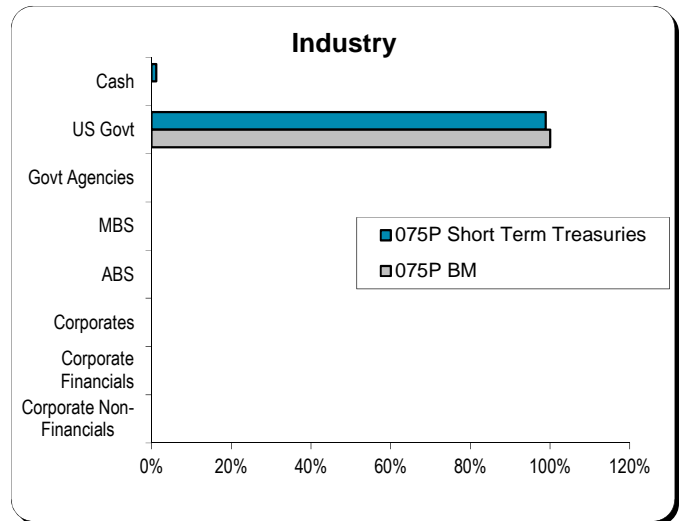
Annualized Returns	Portfolio	Benchmark	Outperform. *
Month	-0.26%	-0.25%	- 0.01%
Quarter	0.74%	0.76%	- 0.02%
FYTD	5.61%	5.72%	- 0.11%
CYTD	3.81%	3.90%	- 0.09%
1 Year	5.61%	5.72%	- 0.11%
2 Year	2.38%	2.49%	- 0.11%
3 Year	1.52%	1.62%	n/a
5 Year	1.61%	1.69%	n/a
Inception (4/1/14)	1.54%	1.62%	- 0.08%

Annualized Performance Measures since Inception (4/14)			
StDev	1.49%	1.49%	-
Sharpe Ratio	(0.60)	(0.55)	-
Tracking Error	0.05%	n/a	-
Info Ratio	(1.58)	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	27	-0.01%
Down Months	Above BM	9	0.00%
	Below BM	20	-0.01%

Stress Tests	P&L (\$000)	% Ret.
Int. Rates Up 100bps	\$ (1,137)	-0.77%
Cred. Sprds up 100 bps	\$ (1,139)	-0.78%

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



Congress Intermediate Domestic Fixed Income

9/30/2019

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

	Portfolio	Benchmark
Market Value (\$000)	\$ 312,328	n/a
# Issues	34	4,921
Avg Coupon	2.80%	2.67%
Avg Rating	AA-	AA/AA-
Avg Maturity	4.21	4.32
Avg Yield	1.90%	1.93%
Avg Mod. Duration	3.87	3.84
Avg. Convexity	0.23	0.21

Annualized Returns	Portfolio	Benchmark	Outperform. *
Month	-0.30%	-0.36%	+ 0.06%
Quarter	1.31%	1.37%	- 0.06%
FYTD	8.10%	8.17%	- 0.06%
CYTD	6.39%	6.41%	- 0.02%
1 Year	8.10%	8.17%	- 0.06%
2 Year	3.53%	3.50%	+ 0.03%
3 Year	2.29%	2.40%	- 0.11%
5 Year	2.62%	2.68%	- 0.06%
Inception (5/31/02)	4.36%	3.92%	+ 0.44%

Annualized Performance Measures since Inception (06/02)			
StDev	3.06%	2.91%	-
Sharpe Ratio	0.63	0.51	+
Tracking Error	1.04%	n/a	
Info Ratio	0.43	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	65	-0.12%
Down Months	Above BM	34	0.19%
	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	\$ (7,900)	-2.53%
Cred. Sprds up 100 bps	\$ (7,287)	-2.33%

