



**Texas Children's
and Affiliated Entities**

Financial Information and Operating Data

Summary of Operations

(Dollars in thousands)

	Fiscal Year Ended September 30,	
	2017	2016
Net patient service revenue	\$ 1,867,385	\$ 1,858,024
Premium revenue	1,483,693	969,867
Other unrestricted operating revenue ⁽¹⁾	204,428	166,331
Total unrestricted operating revenue	<u>3,555,506</u>	<u>2,994,222</u>
Operating expenses:		
Salaries and benefits	1,210,419	1,109,169
Supplies	274,018	250,325
Medical and hospital	989,648	618,480
Professional fees	470,808	428,102
Operation of plant	113,281	101,640
Enhanced mission support	26,126	37,751
Outside purchased services	164,731	144,696
General and administrative	110,699	105,728
Depreciation and amortization	158,633	129,134
Interest	21,529	23,554
Total operating expenses	<u>3,539,892</u>	<u>2,948,579</u>
Operating income	15,614	45,643
Net nonoperating gains (losses) and other changes in unrestricted net assets	<u>294,746</u>	<u>97,853</u>
Increase (Decrease) in unrestricted net assets	<u>\$ 310,360</u>	<u>\$ 143,496</u>



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Sources of Gross Patient Revenues: Texas Children's Hospital

	Fiscal Year Ended September 30,	
	2017	2016
<u>Payor</u>		
Medicaid	54.3%	51.4%
Managed care	40.5%	42.9%
Self-pay and other	5.2%	5.7%
Total	100.0%	100.0%

Service Area: Texas Children's Hospital

The following is a breakdown of total admissions during fiscal years 2017 and 2016,
by service area:

	Fiscal Year Ended September 30,	
	2017	2016
<u>Origin</u>		
Primary service area (Harris County)	65.1%	66.0%
Secondary service area ⁽¹⁾	21.2%	21.3%
Other	13.7%	12.7%
Total	100.0%	100.0%

(1) Includes Brazoria, Ft. Bend, Galveston, Chambers, Liberty, Montgomery,
and Waller counties.

Summary of Utilization: Texas Children's Hospital

	Fiscal Year Ended September 30,	
	2017	2016
Licensed beds ⁽¹⁾	767	683
Operating beds ⁽¹⁾	767	683
Admissions	33,366	34,096
Discharges	33,448	34,335
Patient days	206,577	205,326
Average length of stay	6.18	5.98
Percentage occupancy ⁽²⁾	78.0%	82.3%
Emergency center visits	126,112	119,878
Surgeries	33,659	30,648
Clinic visits	771,803	691,351

(1) Information is as of the last day of the period

(2) Based on the average beds in service during the fiscal year.

(3) The measurement of patient days has changed from prior years to exclude observation and newborn days. This is reflected in patient days, average length of stay, and percentage occupancy for both 2017 and 2016.



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Financial Information and Operating Data

Texas Children's Pediatric Associates

	Fiscal Year Ended September 30,	
	2017	2016
Number of practice sites and urgent care sites ⁽¹⁾	59	58
Number of pediatricians employed ^{(1) (2)}	314	332
Patient visits	1,321,700	1,296,192

(1) Information is as of the last day of the period

(2) Includes full-time, part time and per diem physicians

Texas Children's Health Plan

	Fiscal Year Ended September 30,	
	2017	2016
Number of primary contracts/products ⁽¹⁾	3	2
Primary lives covered ⁽²⁾	438,501	410,781

(1) The Health Plan provides three primary insurance products currently : CHIP, STAR & STAR Kids.

(2) Information is as of the last day of the period



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Financial Information and Operating Data

ProForma Maximum Annual Debt Service Coverage

(Dollars in thousands, unaudited)

	Fiscal Year Ended September 30,		
	2017	2016	
Total operating revenues	\$ 3,555,506	\$ 2,994,222	\$
Net nonoperating gains ⁽¹⁾	58,096	78,386	
Total revenues	3,613,602	3,072,608	
Operating expenses	3,539,892	2,948,579	
	73,710	124,029	
<i>Plus:</i>			
Interest	21,529	23,554	
Depreciation and amortization	158,633	129,134	
Income available for debt service	\$ 253,872	\$ 276,717	\$
Actual maximum annual debt service ⁽²⁾	\$ 57,756	\$ 57,756	\$
Actual maximum annual debt service coverage ⁽³⁾	4.4x	4.79x	

(1) Net nonoperating gains exclude net unrealized gains/(losses) of \$160 million and \$19 million for the fiscal years 2017 and 2016, respectively.

(2) Assumes an interest rate of 3.50% per annum on Series 2008-3, Series 2015-2, Series 2015-3 and Series 2015-4, which bear interest at a variable rate. Assumes an interest rate of 3.657% per annum on \$100 million of the Series 2008-1 Bonds, the fixed rate payable under the 2007 Swap Transaction and 3.50% per annum on the Series 2008-2 Bonds, the prior estimated fixed rate to be payable by TCH under the 2015 Swap Transactions. Capital leases not secured under the Master Indenture are included.

(3) If revenues and expenses of the Obligated Group had been depicted the ratios would be 5.29x and 4.96x for the fiscal years 2017 and 2016, respectively.



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Financial Information and Operating Data

Historical and ProForma Capitalization

(Dollars in thousands, unaudited)

	September 30,	
	2017	2016
Long-term debt		
Series 2008 bonds	286,400	288,075
Series 2009 bonds	131,130	135,536
Series 2010 bonds	58,629	61,881
Series 2015 bonds	470,664	480,794
Capital Lease Obligation	13,108	18,332
Net of bond issuance cost	(6,340)	(6,673)
Total Long-term debt ⁽¹⁾	953,591	977,945
Less:		
Current installments of long-term debt	(26,618)	(23,897)
Net long-term debt	926,973	954,048
Unrestricted and temporarily restricted net assets	3,670,216	3,357,846
Total capitalization	\$ 4,597,189	\$ 4,311,894
Net long-term debt as a percentage of total capitalization ⁽²⁾	20.2%	22.1%

(1) Includes premium. Also includes issuance costs as required by ASU 2015-03 issued by the FASB In April 2015 that was applied to fiscal years 2017 and 2016, respectively.

(2) If capitalization of only the Obligated Group members had been depicted, these ratios would be 20.5% and 22.9% for fiscal years 2017 and 2016 respectively.

Summary of Cash and Investments

(Dollars in thousands)

	September 30,	
	2017	2016
Cash and cash equivalents	\$ 253,059	\$ 289,088
Fixed income securities	452,409	570,997
Equity securities	542,909	514,229
Alternative investments	1,422,709	1,161,012
Other	28,431	20,867
Total cash and investments	\$ 2,699,517	\$ 2,556,193



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Calculation of Days Cash on Hand

	Fiscal Year Ended September 30,		
	2017	2016	
Total unrestricted cash position ⁽¹⁾	\$ 2,278,569,792	\$ 2,057,867,000	\$
Average daily operating expense ⁽²⁾	\$ 9,263,723	\$ 7,724,507	\$
Days cash on hand	246	266	

(1) Unrestricted cash and investments exclude the following: (a) Reserves and deposit related to Texas Children's Insurance Company and the Texas Children's Health Plan of \$97 million and \$92 million for fiscal years 2017 and 2016 respectively, (b) donor restricted investments of \$257 million and \$261million for fiscal years 2017 and 2016 respectively, (c) assets held by bond trustee of \$37million and \$36million for fiscal years 2017 and 2016 respectively, (d) beneficial interest in net assets of supporting organizations of \$28 million and \$21 million for fiscal years 2017 and 2016 respectively (e) swap collateral posting of \$97 thousand and \$17 million for fiscal years 2017 and 2016 respectively, and (f) bond proceeds of \$0 and \$72 million for fiscal years 2017 and 2016 respectively.

(2) Excludes depreciation and amortization.