



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

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Partners HealthCare Reports First Quarter 2018 Financial Results

BOSTON, MA – Partners HealthCare today reported operating income of \$115 million (3.4% operating margin) in the first quarter of fiscal year 2018, which ended on December 31. Health care provider activity generated operating income of \$77 million (see Provider Activity) and insurance activity (Neighborhood Health Plan or NHP) generated operating income of \$38 million (see Insurance Activity). In the comparable 2017 quarter, Partners reported a loss from operations of \$17 million (-0.5% operating margin), including breakeven performance from provider activity and a loss from insurance activity of \$17 million.

Total operating revenue increased \$201 million (6%) to \$3.4 billion in the first quarter of fiscal 2018 as growth in provider activity was partially offset by a decline in insurance activity (-\$67 million, -10%). Total operating expenses increased \$69 million (2%) to \$3.3 billion, reflecting increases in wages and benefits (\$82 million, 5%) and supplies and other expenses (\$53 million, 8%), and a reduction in medical insurance claims (\$104 million, 21%).

“We experienced strong first quarter results, driven by volume growth, new efficiencies realized through our Partners 2.0 initiative, and greatly improved performance at Neighborhood Health Plan,” said Peter K. Markell, Chief Financial Officer and Treasurer for Partners HealthCare.

“Our challenge through the fiscal year will be to continue executing on our growth and efficiency plans so that we are able to make investments in patient care, research and teaching on behalf of our patients.”

In the first quarter of fiscal 2018, Partners absorbed \$382 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, MassHealth, and uninsured patients, an increase of \$29 million (8%) over the shortfall absorbed in the comparable 2017 quarter.

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Partners reported an overall gain of \$242 million in the 2018 first quarter, including a non-operating gain of \$127 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 activity. In the 2017 first quarter, Partners reported an overall gain of \$160 million, including a non-operating gain of \$177 million.

Health Care Provider & Other Activity (Provider Activity)

Provider activity generated operating income of \$77 million (2.6% operating margin) in the first quarter of 2018, including \$5 million generated by Wentworth-Douglass Health System (Dover, NH), which joined the Partners system on January 1, 2017. In the first quarter of 2017, provider activity resulted in breakeven results (0.0% operating margin).

Revenue for provider activity increased \$256 million (10%) to \$2.9 billion in the 2018 first quarter. Net patient service revenue increased \$216 million (10%) to \$2.3 billion, reflecting the inclusion of Wentworth-Douglass (\$94 million or 5%) and overall growth in same-facility inpatient and outpatient activity. Research revenue increased \$30 million (7%) to \$462 million, driven by growth in government-sponsored and corporate-sponsored research activity. Other operating revenue, excluding patient care and research revenue, increased \$10 million (7%) to \$165 million.

Operating expenses attributable to provider activity increased \$180 million (7%) – including \$92 million (3%) from Wentworth-Douglass – to \$2.9 billion in the 2018 first quarter. Employee compensation and benefits increased \$83 million (6%) to \$1.6 billion. Supplies and other expenses increased \$58 million (9%) to \$703 million, reflecting higher costs for pharmaceuticals and clinical supplies (\$22 million, 9%) and an increase in the state assessment to help fund the state's Medicaid program (\$7 million, 17%). Depreciation increased \$14 million (9%) to \$164 million and interest expense increased \$1 million (3%) to \$46 million.

Insurance Activity

Insurance activity resulted in an operating gain of \$38 million (6.6% operating margin) in the

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2018 first quarter compared to an operating loss of \$17 million (-2.7% operating margin) in the 2017 first quarter. The 2017 results reflect the impact of premium deficiency reserves, which decreased NHP's loss by \$6 million.

Premium revenue decreased \$67 million (10%) to \$578 million in the 2018 first quarter. NHP's membership declined by 21% from December 31, 2016 to December 31, 2017, reflecting an agreement that NHP and MassHealth made in October 2016 under which NHP would stop accepting new MassHealth members to give it time to stabilize financial performance after experiencing significant operating losses for several years. As of December 31, 2017, approximately 65% of NHP's 347,754 members were in MassHealth. As part of the new MassHealth Accountable Care Organization (ACO) program which is expected to launch on March 1, 2018, NHP will participate in the Merrimack Valley ACO which it formed in collaboration with Lawrence General Hospital and the Greater Lawrence Family Health Center. As a result of this transition, NHP's MassHealth membership is expected to decrease by approximately 200,000 in 2018.

"NHP is generating growth in the commercial marketplace, fueled by the introduction of innovative, employer friendly products and an unyielding attention to customer service," said **Markell**. "In the coming year, NHP will play a key partnership role with the Commonwealth, Partners' hospitals and physicians and other providers as the new Medicaid Accountable Care Organization transforms the way care is delivered in Massachusetts."

Medical claims expense decreased \$116 million (-19%) to \$505 million in the 2018 first quarter, reflecting the decline in membership and more efficient claims management. NHP's medical loss ratio (the percentage of insurance premiums that are used to pay medical claims) was 87.4% in the 2018 quarter and 97.3% in the 2017 quarter, excluding the impact of premium deficiency reserves.

General and administrative costs decreased \$7 million (16%) to \$35 million in the 2018 first quarter and the administrative expense ratio (the percentage of premiums that are used to pay general and administrative expenses) decreased to 5.9% from 6.4% in the 2017 first quarter.

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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 served more than 164,000 low-income patients and reported to the Massachusetts Attorney General investments of \$223 million through a wide-range of community commitments.

Effective next month, Partners HealthCare has chosen to participate in the MassHealth Accountable Care Organization (ACO) to help solve the care delivery and cost challenges associated with the state's Medicaid program. Partners will join a select group of organizations in the biggest restructuring of the MassHealth Medicaid program in twenty years. Similar to federal ACO programs, the MassHealth ACO aims to move from a fee-for-service model, where providers are paid for each service, to an accountable care model where care is better coordinated and physicians and other caregivers are rewarded for providing high quality care while keeping costs under a target. As a MassHealth ACO, Partners will provide coverage to more than 100,000 MassHealth patients across the Partners system.

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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)

	December 31, 2017 (unaudited)	September 30, 2017 (audited)
ASSETS		
Current assets		
Cash and equivalents	\$ 666,024	\$ 739,117
Investments	1,540,843	1,506,524
Current portion of investments limited as to use	1,916,189	1,367,172
Patient accounts receivable, net	988,412	977,294
Research grants receivable	147,142	127,868
Other current assets	480,399	436,037
Receivable for settlements with third-party payers	100,931	90,611
Total current assets	5,839,940	5,244,623
Investments limited as to use, less current portion	3,568,926	3,320,230
Long-term investments	1,329,651	1,266,697
Pledges receivable, net and contributions receivable from trusts, less current portion	198,643	199,730
Property and equipment, net	6,225,023	6,226,382
Other assets	603,555	614,096
Total assets	\$ 17,765,738	\$ 16,871,758
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of long-term obligations	\$ 642,172	\$ 615,151
Accounts payable and accrued expenses	641,650	716,040
Accrued medical claims and related expenses	173,618	196,037
Accrued compensation and benefits	745,318	805,624
Current portion of accrual for settlements with third-party payers	62,823	52,348
Unexpended funds on research grants	258,790	265,253
Total current liabilities	2,524,371	2,650,453
Other liabilities		
Accrual for settlements with third-party payers, less current portion	22,305	20,231
Accrued professional liability	477,249	476,083
Accrued employee benefits	1,279,525	1,294,357
Interest rate swaps liability	377,145	367,830
Accrued other	157,793	156,909
Long-term obligations, less current portion	5,073,507	4,441,786
Total liabilities	9,911,895	9,407,649
Net assets		
Unrestricted	6,220,525	5,889,170
Temporarily restricted	922,451	887,531
Permanently restricted	710,867	687,408
Total net assets	7,853,843	7,464,109
Total liabilities and net assets	\$ 17,765,738	\$ 16,871,758

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

	First Quarter Ended December 31,	
	2017	2016
Operating revenue		
Net patient service revenue, net of provision for bad debts	2,208,743	1,980,453
Premium revenue	576,524	643,821
Direct academic and research revenue	362,273	338,966
Indirect academic and research revenue	99,951	93,312
Other revenue	164,671	154,549
Total operating revenue	3,412,162	3,211,101
Operating expenses		
Employee compensation and benefit expenses	1,603,559	1,521,336
Supplies and other expenses	719,080	666,460
Medical claims and related expenses	402,755	506,946
Direct academic and research expenses	362,273	338,966
Depreciation and amortization expenses	164,003	150,246
Interest expense	45,705	44,546
Total operating expenses	3,297,375	3,228,500
Income (loss) from operations	114,787	(17,399)
Nonoperating gains (expenses)		
Income from investments	77,306	44,882
Change in fair value of interest rate swaps	(9,315)	134,504
Gifts and other, net of fundraising and other expenses	14,707	(34,190)
Academic and research gifts, net of expenses	44,760	32,096
Total nonoperating gains (expenses), net	127,458	177,292
Excess of revenues over expenses	242,245	159,893
Other changes in net assets		
Change in net unrealized appreciation on marketable investments	79,324	(52,011)
Funds utilized for property and equipment	6,995	5,631
Other	2,791	(147)
Increase in unrestricted net assets	\$ 331,355	\$ 113,366

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

	Three Months Ended December 31,	
	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 389,734	\$ 120,203
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Loss on refunding of debt	50,045	-
Change in fair value of interest rate swaps	9,315	(134,504)
Depreciation and amortization	164,003	150,246
Provision for bad debts	37,115	32,657
Amortization of bond discount, premium and issuance costs	(1,098)	(1,084)
Loss on disposal of property	-	(13)
Net realized and change in unrealized appreciation on investments	(234,105)	(14,128)
Restricted contributions and investment income	(46,153)	(46,297)
Cash premium upon issuance of bonds	140,222	-
Increases (decreases) in cash resulting from a change in		
Patient accounts receivable	(48,233)	(38,101)
Research grants receivable	(19,274)	2,013
Pledges receivable and contributions receivable from trusts	14,643	27,611
Other assets	(58,852)	(37,031)
Accounts payable and accrued expenses	(74,390)	(125,573)
Accrued medical claims and related expenses	(22,419)	(20,422)
Accrued compensation and benefits	(60,306)	(48,663)
Settlements with third-party payers	12,276	(19,781)
Unexpended funds on research grants	(6,463)	6,960
Accrued employee benefits and other	(12,782)	(38,322)
Net cash provided by (used for) operating activities	233,278	(184,229)
Cash flows from investing activities:		
Purchases of property and equipment	(161,216)	(193,189)
Proceeds from sale of property	-	13
Net (purchases) sales of investments	(660,881)	71,100
Net cash used for investing activities	(822,097)	(122,076)
Cash flows from financing activities:		
Payments on long-term obligations	(81,607)	(202)
Proceeds from long-term obligations, net of financing costs	1,343,450	-
Deposits into refunding trusts	(792,270)	-
Restricted contributions and investment income	46,153	46,297
Net cash provided by financing activities	515,726	46,095
Net decrease in cash and equivalents	(73,093)	(260,210)
Cash and equivalents at beginning of period	739,117	827,683
Cash and equivalents at end of period	\$ 666,024	\$ 567,473

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, 2017.

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, 2017 and 2016, included in excess of revenues over expenses are realized losses of \$14,176 and \$17,494, respectively, related to other-than-temporary declines in fair value of investments. In addition, temporarily restricted net assets were reduced by \$2,679 and \$1,920, respectively, for impairment adjustments.

Including the impairment charges noted above, for the quarters ended December 31, 2017 and 2016, included in excess of revenues over expenses are net realized gains of \$82,063 and \$28,626, 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, 2017 and 2016, adjustments to prior year estimates resulted in an increase in income from operations of \$13,470 and 7,276, 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. 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 2013, Partners HealthCare recorded the estimated overpayment amounts received in 2010 through 2012 of \$79,020 as cont. 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 quarter ended December 31, 2016, amortization amounted to \$8,259. As of September 30, 2017, the total estimated overpayment of \$79,020 has been amortized into net patient service revenue.
4. 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 \$57,200 in fiscal year 2017. There have been no transfers in fiscal year 2018 through December 31, 2017.
5. The current portion of long-term obligations includes payments scheduled to be made over the next twelve months of \$415,917, bonds supported by Partners HealthCare liquidity that can be tendered prior to December 31, 2018 of \$170,005 and bonds supported by bank facilities with financial institutions (stand by bond purchase agreements or letters of credit) that expire prior to December 31, 2018 of \$56,250. 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.
6. In December 2017, PHS issued \$948,105 of Partners HealthCare System Series S Revenue Bonds, plus bond premium of \$122,734. The bond proceeds, net of issuance costs of \$5,359, were used to refund portions of Series G Bonds (\$191,532), Series I Bonds (\$111,556), Series J Bonds (\$344,484), Series K Bonds (\$44,331), Series L Bonds (\$231,658), and Series M Bonds (\$141,920).

In December 2017, PHS issued \$99,565 of Partners HealthCare System Series 2017 NH Revenue Bonds, plus bond premium of \$17,488. The bond proceeds, net of issuance costs of \$562, were used to refund Wentworth-Douglass Series 2011A Bonds (\$97,206), Wentworth-Douglass Series 2016A Bonds (\$14,325), and Wentworth-Douglass Series 2016B Bonds (\$4,960).

In December 2017, PHS issued \$303,644 of Partners HealthCare System Taxable Bonds. The bond proceeds, net of issuance of \$1,943, were used to refund portions of Series K Bonds (\$50,054) and to finance certain capital projects (\$251,647).
7. 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, 2017, there were no amounts outstanding under the Agreement. The Agreement expires in June 2020.
8. Effective January 1, 2017, Wentworth-Douglass Health System and Affiliates (Wentworth-Douglass) became an affiliate of Partners HealthCare when Massachusetts General Hospital became the sole corporate member of Wentworth-Douglass. As a result of the acquisition, Partners HealthCare recognized contribution income of \$321,389 included in excess of revenues over expenses on January 1, 2017. Generally accepted accounting principles require the recognition of the fair value of assets and liabilities as of the acquisition date.

Summary financial data for Wentworth-Douglass - (GAAP, \$ in 000's)

First Quarter Ended December 31, 2017

Total operating revenue	<u>\$ 96,602</u>
Income from operations	\$ 4,622
Nonoperating investment income (loss)	525
Excess of revenues over expenses	<u>\$ 5,147</u>

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

	First Quarter Ended December 31,	
	2017	2016
INPATIENT:		
Discharges	42,030	39,635
% Change	6.0%	
Discharge Days	219,924	209,142
% Change	5.2%	
Average Length of Stay (Days)	5.23	5.28
% Change	-0.9%	
Patient Days	206,740	194,414
% Change	6.3%	
Births	4,290	3,868
% Change	10.9%	
OUTPATIENT:		
ATO's	6,872	6,137
% Change	12.0%	
ED Observations	2,431	2,391
% Change	1.7%	
Day Surgery	18,407	16,401
% Change	12.2%	
Ambulatory visits	415,264	393,498
% Change	5.5%	
ER Visits	99,825	91,429
% Change	9.2%	
Procedures	405,004	379,625
% Change	6.7%	
Major Imaging	94,721	82,146
% Change	15.3%	
Minor Imaging	293,979	321,002
% Change	-8.4%	
Treatments	238,607	209,633
% Change	13.8%	
Therapies	302,591	277,401
% Change	9.1%	
Lab Services	2,454,853	2,279,792
% Change	7.7%	
CASE MIX INDEX (CMI)⁽²⁾:		
Combined Academic (The General & BWH)	1.93	1.90
	1.6%	
Combined Community (BWFH, NSMC & NWH)	1.16	1.12
	3.6%	

⁽¹⁾ Includes data from The General, BWH, BWFH, NSMC, NWH, Cooley Dickinson, Nantucket and Martha's Vineyard, and for the period 1/1/17 - 9/30/17, Wentworth-Douglass.

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

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

	First Quarter Ended December 31,	
	2017	2016
INPATIENT:		
Discharges	39,981	39,635
% Change	0.9%	
Discharge Days	211,724	209,142
% Change	1.2%	
Average Length of Stay (Days)	5.30	5.28
% Change	0.4%	
Patient Days	199,363	194,414
% Change	2.5%	
Births	3,992	3,868
% Change	3.2%	
OUTPATIENT:		
ATO's	6,205	6,137
% Change	1.1%	
ED Observations	2,431	2,391
% Change	1.7%	
Day Surgery	16,853	16,401
% Change	2.8%	
Ambulatory visits	403,530	393,498
% Change	2.5%	
ER Visits	91,467	91,429
% Change	0.0%	
Procedures	376,411	379,625
% Change	-0.8%	
Major Imaging	88,870	82,146
% Change	8.2%	
Minor Imaging	282,888	321,002
% Change	-11.9%	
Treatments	216,366	209,633
% Change	3.2%	
Therapies	264,099	277,401
% Change	-4.8%	
Lab Services	2,329,128	2,279,792
% Change	2.2%	
CASE MIX INDEX (CMI)⁽²⁾:		
Combined Academic (The General & BWH)	1.93	1.90
	1.6%	
Combined Community (BWFH, NSMC & NWH)	1.16	1.12
	3.6%	

⁽¹⁾ Includes data from The General, BWH, BWFH, NSMC, NWH, Cooley Dickinson, 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**

	First Quarter Ended December 31,	
	2017	2016
REHABILITATION		
Inpatient:		
Discharges	1,132	1,219
% Change	-7.1%	
Discharge Days	26,342	26,213
% Change	0.5%	
Average Length of Stay (Days)	23.27	21.50
% Change	8.2%	
Patient Days	25,554	25,427
% Change	0.5%	
Outpatient:		
Home Health	206,164	226,815
% Change	-9.1%	
Therapies	212,188	196,836
% Change	7.8%	

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

PSYCHIATRIC

Inpatient:		
Discharges	1,575	1,565
% Change	0.6%	
Discharge Days	17,255	16,874
% Change	2.3%	
Average Length of Stay (Days)	10.96	10.78
% Change	1.7%	
Patient Days	17,566	17,308
% Change	1.5%	
Outpatient:		
Psychiatric Services	31,000	32,466
% Change	-4.5%	

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

	First Quarter Ended December 31,	
	2017	2016
Medical loss ratio ⁽¹⁾	87.4%	97.3%
% Change	-9.9%	
Administrative expense ratio	5.9%	6.4%
% Change	-0.5%	
Total members	347,754	441,799
% Change	-21.3%	

⁽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/diaphragm, 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 December 31, 2017
(In Thousands)

INVESTMENT LIQUIDITY⁽¹⁾

Investment Pool	Funds Available						Total
	Same Day	1 Week	1 Month	3 Months	1 Year	>1 Year	
Money Market	\$665,440	-	-	-	-	-	\$665,440
Aggregate Bond	450,914	180,996	-	56,445	-	-	688,355
Long Term	125,865	1,564,952	1,379,806	1,127,419	1,147,707	1,973,226	7,318,976
Total	\$1,242,220	\$1,745,948	\$1,379,806	\$1,183,864	\$1,147,707	\$1,973,226	\$8,672,771
Cumulative Total	\$1,242,220	\$2,988,168	\$4,367,974	\$5,551,838	\$6,699,544	\$8,672,771	

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⁾	-	\$39,385	\$55,090	\$76,035	-	-	\$170,510
Index Floating Rate	-	-	-	-	-	363,900	363,900
Term Rate	-	-	-	-	-	131,185	131,185
Total	-	\$39,385	\$55,090	\$76,035	-	\$495,085	\$665,595
Cumulative Total	-	\$39,385	\$94,475	\$170,510	\$170,510	\$665,595	

⁽¹⁾ Excludes ERISA.

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

Money Market Pool

12/31/2017

Portfolio Manager
Benchmark

Various
iMoneyNet Money Market Fund Average/All Taxable

	Portfolio	Benchmark
Market Value (\$000)	\$ 665,440	n/a
Avg Rating	AAA	A1/P1
Avg Maturity (Days)	1.0	n/a
Avg Life (Days)	1.0	n/a
Avg Yield	1.26%	n/a

Net Asset Value	1.0
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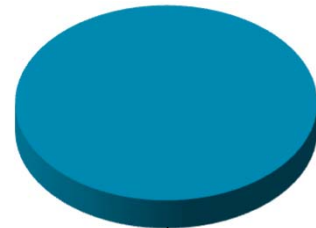
Annualized Returns	Portfolio	Benchmark	Outperform. *
Month	0.10%	0.07%	+ 0.03%
Quarter	0.25%	0.18%	+ 0.07%
FYTD	0.25%	0.18%	+ 0.07%
CYTD	0.77%	0.54%	+ 0.23%
1 Year	0.77%	0.54%	+ 0.23%
2 Year	0.54%	0.33%	+ 0.21%
3 Year	0.37%	0.23%	+ 0.14%
5 Year	0.30%	0.14%	+ 0.16%
Inception (12/31/94)	2.70%	2.25%	+ 0.45%

Annualized Performance Measures since Inception (01/05)			
StDev	0.66%	0.63%	-
Sharpe Ratio	0.36	(0.34)	+
Tracking Error	0.07%	n/a	
Info Ratio	6.61	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	265	0.038%
	Below BM	11	
Down Months	Above BM	0	
	Below BM	0	

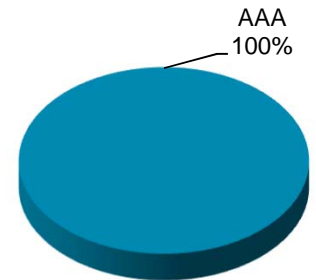
* computed outperformance may not match portfolio/benchmark returns due to rounding.

Instruments



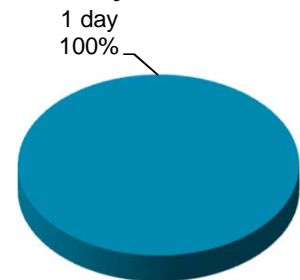
Mutual Funds
100%

S&P Quality Breakdown



AAA
100%

Maturity Breakdown



1 day
100%

Congress Short Term Treasuries

12/31/2017

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

	Portfolio	Benchmark
Market Value (\$000)	\$ 163,721	n/a
# Issues	14	156
Avg Coupon	1.97%	1.78%
Avg Rating	AAA	AAA/Aaa
Avg Maturity	2.87	2.84
Avg Yield	2.00%	1.99%
Avg Mod. Duration	2.75	2.74
Avg. Convexity	0.10	0.10

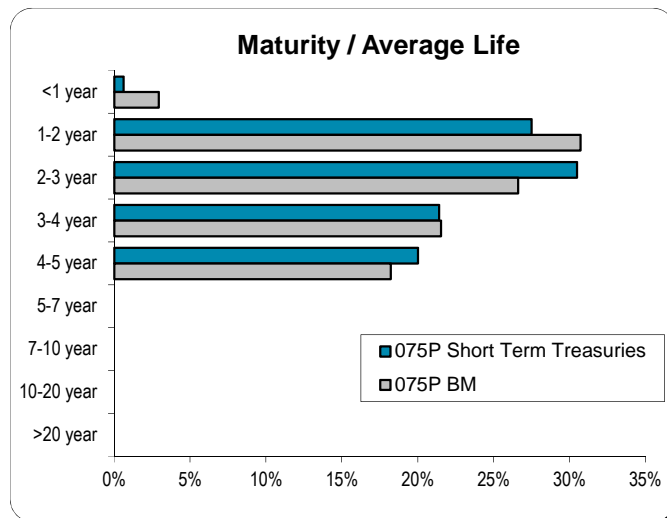
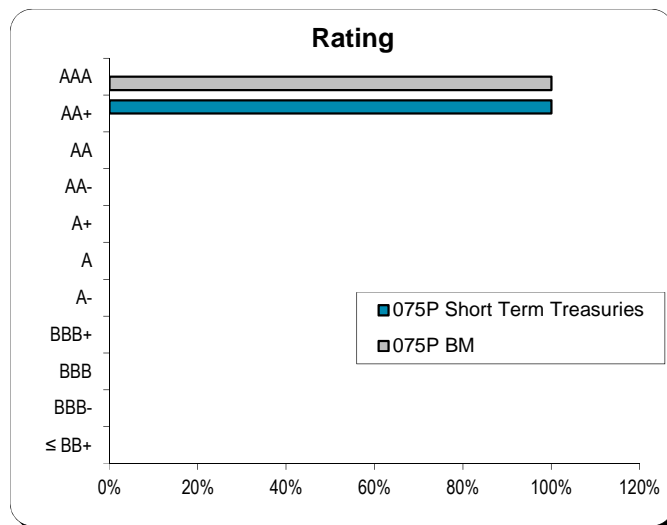
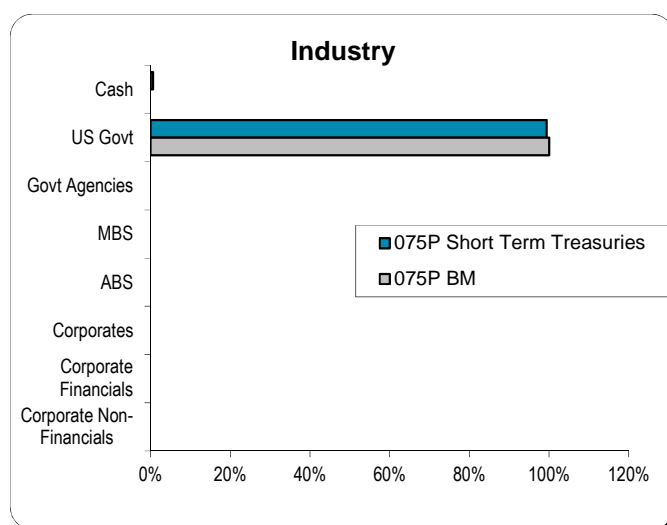
Annualized Returns	Portfolio	Benchmark	Outperform. *
Month	-0.02%	-0.01%	- 0.01%
Quarter	-0.45%	-0.41%	- 0.04%
FYTD	-0.45%	-0.41%	- 0.04%
CYTD	0.55%	0.68%	- 0.13%
1 Year	0.55%	0.68%	- 0.13%
2 Year	0.76%	0.85%	- 0.09%
3 Year	0.80%	0.87%	n/a
5 Year	n/a	n/a	n/a
Inception (4/1/14)	0.88%	0.95%	- 0.07%

Annualized Performance Measures since Inception (4/14)			
StDev	1.32%	1.32%	+
Sharpe Ratio	(1.21)	(1.15)	-
Tracking Error	0.05%	n/a	
Info Ratio	(1.35)	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	16	-0.01%
Down Months	Above BM	7	0.00%
	Below BM	14	-0.01%

Stress Tests	P&L (\$000)	% Ret.
Int. Rates Up 100bps	\$ (3,475)	-2.12%
Cred. Sprds up 100 bps	\$ (3,469)	-2.12%

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



Congress Intermediate Domestic Fixed Income

12/31/2017

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

	Portfolio	Benchmark
Market Value (\$000)	\$ 399,160	n/a
# Issues	48	4,780
Avg Coupon	2.81%	2.46%
Avg Rating	AA	AA/Aa2
Avg Maturity	4.24	4.38
Avg Yield	2.30%	2.38%
Avg Mod. Duration	3.91	4.01
Avg. Convexity	0.22	0.22

Annualized Returns	Portfolio	Benchmark	Outperform. *
Month	0.13%	0.11%	+ 0.01%
Quarter	-0.26%	-0.20%	- 0.06%
FYTD	-0.26%	-0.20%	- 0.06%
CYTD	1.71%	2.14%	- 0.42%
1 Year	1.71%	2.14%	- 0.42%
2 Year	1.84%	2.11%	- 0.27%
3 Year	1.59%	1.76%	- 0.17%
5 Year	1.33%	1.50%	- 0.17%
Inception (5/31/02)	4.38%	3.89%	+ 0.49%

Annualized Performance Measures since Inception (06/02)			
StDev	3.12%	2.95%	-
Sharpe Ratio	0.61	0.48	+
Tracking Error	1.04%	n/a	
Info Ratio	0.47	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	67	0.18%
	Below BM	57	-0.13%
Down Months	Above BM	29	0.22%
	Below BM	34	-0.11%

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

Stress Tests	P&L (\$000)	% Ret.
Int. Rates Up 100bps	\$ (13,010)	-3.26%
Cred. Sprds up 100 bps	\$ (11,801)	-2.96%

