



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

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Partners HealthCare Reports Fourth Quarter 2018 Financial Results

BOSTON, MA – Partners HealthCare today reported operating income of \$310 million (2.3% operating margin) in fiscal year 2018, which ended on September 30, 2018. Health care provider activity generated operating income of \$273 million (see Provider Activity) and insurance activity (AllWays Health Partners, formerly Neighborhood Health Plan) generated operating income of \$37 million (see Insurance Activity). In 2017, Partners reported income from operations of \$53 million (0.4% operating margin), including operating income of \$7 million from provider activity and \$46 million from insurance activity.

“Our health care delivery system and our insurance plan exceeded performance expectations, putting us in a stronger position to serve the health care needs of our patients going forward,” said **Peter K. Markell, Chief Financial Officer and Treasurer at Partners HealthCare**. “While a 2-3% margin is slim compared to our peers across the nation, it enables us to reinvest in patient care and provide for the future capital needs of our hospitals and facilities. Through our *Partners 2.0* initiative we will continue to transform ourselves to meet the evolving needs of society. We will work to improve the patient care experience, empower our researchers to find the new treatments and cures of tomorrow, and educate the next generation of doctors, nurses and caregivers.”

In 2018, Partners absorbed \$1.4 billion in Medicare, Medicaid, and Health Safety Net shortfalls due to government reimbursements that failed to pay the full cost of providing care to Medicare, low-income, and uninsured patients, equivalent to the shortfall absorbed by Partners in 2017.

Partners reported an overall gain of \$827 million in 2018, including a non-operating gain of \$517 million of which \$157 million reflects the net impact 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. The remaining non-operating gains (\$360 million) reflect improved investment performance, an increase in the market value of interest rate swaps due to higher interest rates as well as philanthropic activity. In 2017, Partners reported an overall gain of \$659 million, including a non-operating gain of \$606 million, of which \$321 million reflects the net impact of the Wentworth-Douglass Health System joining Partners on January 1, 2017 and \$285 million reflects investment performance, an increase in the market value of interest rate swaps and philanthropic activity.

Health Care Provider & Other Activity (Provider Activity)

Provider activity generated operating income of \$273 million (2.2% operating margin) in 2018 and \$7 million (0.1% operating margin) in 2017. MEE contributed \$3 million in operating income in 2018. The 2017 results include \$88 million in costs associated with a voluntary retirement offering by Brigham Health to certain employees.

Revenue for provider activity increased \$857 million (8%) to \$12.1 billion in 2018. Net patient service revenue increased \$712 million (8%) to \$9.5 billion, reflecting higher patient acuity, growth in utilization of certain services and the inclusion of MEE (\$238 million or 2%). Research revenue grew \$78 million (4%), including \$26 million (1%) for Mass Eye & Ear, to \$1.9 billion. Other operating revenue, excluding patient care and research revenue, increased \$67 million (10%) to \$740 million, reflecting pharmacy revenue (\$27 million), Medicaid ACO non-patient revenue (\$13 million) and activity for MEE (\$25 million).

Operating expenses attributable to provider activity increased \$592 million (5%, including 2% or \$235 million for the addition of MEE) to \$11.9 billion in 2018. Employee compensation and benefits increased \$255 million (4%) to \$6.6 billion. Supplies and other expenses increased \$243 million (9%) to \$3.0 billion reflecting continued pressure on pharmaceutical costs (\$61 million, 11%) and medical supplies (\$29 million, 9%). Depreciation and interest expense increased \$46 million (6%) to \$853 million.

Insurance Activity

Insurance activity resulted in an operating gain of \$37 million (2.6% operating margin) in 2018 compared to an operating gain of \$46 million (1.8% operating margin) in 2017. The 2017 results reflect the benefit of premium deficiency reserve amortization, which increased AllWays Health Partners' operating gain by \$52 million.

Premium revenue decreased \$1.1 billion (-43%) to \$1.4 billion in 2018. AllWays' MassHealth membership declined by 211,912 (-87%) from September 30, 2017 to September 30, 2018, reflecting the expected transition of members from Medicaid managed care programs into the MassHealth ACO program on March 1, 2018. Under the MassHealth ACO program, AllWays is partnering with an ACO called My Care Family in Greater Lawrence as well as providing certain administrative services to approximately 105,000 patients in the Partners Medicaid ACO. As of September 30, 2018, approximately 72% of AllWays' 117,651 members were in commercial plans.

“Over the course of the past year, AllWays Health Partners has made tremendous strides, announcing a

new brand to the marketplace, introducing innovative technologies and health care solutions for its members, taking on a leadership role in the fight against the opioid epidemic and preparing to deliver health plans for more than 100,000 Partners employees and family members on January 1,” said **Markell**. “They are well positioned to compete and grow in the commercial marketplace in 2019.”

Medical claims expense decreased \$1.0 billion (-46%) to \$1.2 billion in 2018, reflecting the decline in membership. AllWays’ medical loss ratio (the percentage of insurance premiums that are used to pay medical claims) was 87.6% in 2018 and 94.0% in 2017, excluding the impact of premium deficiency reserves.

General and administrative costs decreased \$15 million (-9%) to \$141 million in 2018. The administrative expense ratio (the percentage of insurance premiums that are used to pay general and administrative expenses) increased to 9.4% from 6.3% in 2018, relating to reductions in membership.

Fourth Quarter Consolidated Results

Partners reported income from operations of \$35 million (1.1% operating margin) for the three months ended September 30, 2018. Provider activity generated operating income of \$42 million and insurance activity generated an operating loss of \$7 million. In the comparable prior year period, Partners reported a loss from operations of \$4 million (-0.1% operating margin), including a \$28 million loss from provider activity and \$24 million income from insurance activity. The 2017 fourth quarter results for provider activity reflect \$69 million in costs related to Brigham Health’s voluntary retirement offering. AllWays’ 2017 fourth quarter results reflect the benefit of premium deficiency reserve amortization, which increased its operating income by \$9 million.

Total operating revenue decreased \$97 million (-3.0%) to \$3.3 billion for the three months ended September 30, 2018, as growth in provider activity (\$222 million, 8%) was offset by a decline in insurance activity (-\$375 million, -65%). Total operating expenses decreased \$136 million (-4%) to \$3.3 billion, as the decline in medical claims expense (-\$288 million; -67%) exceeded growth in all other expenses.

Partners reported an overall gain of \$148 million for the three months ended September 30, 2018, including a non-operating gain of \$113 million. In the comparable 2017 three-month period Partners reported an overall gain of \$40 million, including a non-operating gain of \$44 million.

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 158,000 low-income patients, absorbed \$1.4 billion in Medicare, Medicaid, and Health Safety Net shortfalls due to government reimbursements that failed to pay the full cost of providing care and reported to the Massachusetts Attorney General investments of more than \$200 million through a wide-range of community commitments.

Partners HealthCare ranks as the [third largest corporate charitable contributor in the Commonwealth](#) as ranked by the *Boston Business Journal*. Over the course of the past year, Partners has made major financial commitments to [RIZE Massachusetts](#), a non-profit aimed at addressing the opioid epidemic and, with MGH and BWH to [Boston's Way Home Fund](#) to help Mayor Walsh's effort in ending chronic homelessness in the city of Boston.

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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)

	September 30, 2018 (audited)	September 30, 2017 (audited)
ASSETS		
Current assets		
Cash and equivalents	\$ 398,413	\$ 739,117
Investments	1,942,117	1,506,524
Current portion of investments limited as to use	1,465,354	1,367,172
Patient accounts receivable, net	1,078,086	977,294
Research grants receivable	154,449	127,868
Other current assets	517,812	436,037
Receivable for settlements with third-party payers	115,561	90,611
Total current assets	5,671,792	5,244,623
Investments limited as to use, less current portion	3,716,162	3,320,230
Long-term investments	1,628,972	1,266,697
Pledges and contributions receivable, less current portion	246,951	199,730
Property and equipment, net	6,401,710	6,226,382
Other assets	637,944	614,096
Total assets	\$ 18,303,531	\$ 16,871,758
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of long-term obligations	\$ 459,390	\$ 615,151
Accounts payable and accrued expenses	696,890	716,040
Accrued medical claims and related expenses	64,398	196,037
Accrued compensation and benefits	854,375	805,624
Accrual for settlements with third-party payers	68,711	52,348
Unexpended funds on research grants	284,178	265,253
Total current liabilities	2,427,942	2,650,453
Other liabilities		
Accrued professional liability	512,516	476,083
Accrued employee benefits	958,275	1,294,357
Interest rate swaps liability	254,295	367,830
Accrued other	231,954	177,140
Long-term obligations, less current portion	4,945,968	4,441,786
Total liabilities	9,330,950	9,407,649
Net assets		
Unrestricted	7,073,335	5,889,170
Temporarily restricted	1,050,461	887,531
Permanently restricted	848,785	687,408
Total net assets	8,972,581	7,464,109
Total liabilities and net assets	\$ 18,303,531	\$ 16,871,758

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

	Fourth Quarter Ended September 30,		Twelve Months Ended September 30,	
	2018	2017	2018	2017
Operating revenue				
Net patient service revenue, net of provision for bad debts	\$ 2,404,826	\$ 2,171,448	\$ 9,239,118	\$ 8,382,683
Premium revenue	198,599	575,609	1,420,489	2,487,100
Direct academic and research revenue	378,417	365,172	1,485,467	1,438,226
Indirect academic and research revenue	109,517	96,697	420,559	389,831
Other revenue	204,667	183,761	741,636	673,223
Total operating revenue	3,296,026	3,392,687	13,307,269	13,371,063
Operating expenses				
Employee compensation and benefit expenses	1,720,308	1,692,764	6,635,581	6,391,589
Supplies and other expenses	800,491	704,128	3,027,832	2,789,579
Medical claims and related expenses	141,707	430,158	993,870	1,890,368
Direct academic and research expenses	378,417	365,172	1,485,467	1,438,226
Depreciation and amortization expenses	176,798	167,121	674,030	626,383
Interest expense	43,609	37,977	180,590	182,348
Total operating expenses	3,261,330	3,397,320	12,997,370	13,318,493
Income (loss) from operations	34,696	(4,633)	309,899	52,570
Nonoperating gains (expenses)				
Income from investments	76,804	61,462	198,118	223,363
Change in fair value of interest rate swaps	56,528	14,114	131,182	144,860
Gifts and other, net of fundraising and other expenses	(27,486)	(33,039)	(61,321)	(108,353)
Academic and research gifts, net of expenses	7,847	2,110	91,415	25,268
Contribution income - affiliates	-	-	157,312	321,389
Total nonoperating gains, net	113,693	44,647	516,706	606,527
Excess of revenues over expenses	148,389	40,014	826,605	659,097
Other changes in net assets				
Change in net unrealized appreciation on marketable investments	(62,289)	57,445	(90,243)	209,260
Funds utilized for property and equipment	16,099	22,871	39,052	44,384
Change in funded status of defined benefit plans	399,318	285,409	399,318	915,409
Other	3,528	1,283	9,433	735
Increase in unrestricted net assets	\$ 505,045	\$ 407,022	\$ 1,184,165	\$ 1,828,885

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

	Twelve Months Ended September 30,	
	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 1,508,472	\$ 1,989,752
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contribution income - affiliates	(323,593)	(325,908)
Change in funded status of defined benefit plans	(399,318)	(915,409)
Loss on refunding of debt	50,638	-
Change in fair value of interest rate swaps	(130,115)	(144,860)
Depreciation and amortization	674,030	626,383
Provision for bad debts	165,861	139,554
Amortization of bond discount, premium and issuance costs	(9,163)	(4,349)
Loss (gain) on disposal of property	104	(3,865)
Net realized and change in unrealized appreciation on investments	(270,254)	(641,801)
Restricted contributions and investment income	(106,734)	(132,714)
Cash premium upon issuance of bonds	140,222	-
Increases (decreases) in cash resulting from a change in		
Patient accounts receivable	(238,003)	(200,945)
Other assets	(83,911)	20,054
Accounts payable and accrued expenses	42,430	43,239
Accrued medical claims and related expenses	(131,639)	(93,829)
Settlements with third-party payers	9,923	(52,525)
Net cash provided by operating activities	898,950	302,777
Cash flows from investing activities:		
Purchases of property and equipment	(647,470)	(754,105)
Proceeds from sale of property	69	7,104
Net (purchases) sales of investments	(738,995)	251,455
Cash acquired through affiliations, net	5,955	39,244
Net cash used for investing activities	(1,380,441)	(456,302)
Cash flows from financing activities:		
Borrowing under line of credit	52,848	-
Payments on long-term obligations	(76,740)	(67,755)
Proceeds from long-term obligations, net of financing costs	1,350,741	-
Deposits into refunding trusts	(1,292,796)	-
Restricted contributions and investment income	106,734	132,714
Net cash provided by financing activities	140,787	64,959
Net decrease in cash and equivalents	(340,704)	(88,566)
Cash and equivalents at beginning of period	739,117	827,683
Cash and equivalents at end of period	\$ 398,413	\$ 739,117

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.
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 September 30, 2018 and 2017, included in excess of revenues over expenses are realized losses of \$15,743 and \$7,759, respectively, related to other-than-temporary declines in fair value of investments. In addition, temporarily restricted net assets were reduced by \$1,999 and \$1,644, respectively, for impairment adjustments. For the twelve months ended September 30, 2018 and 2017, included in excess of revenues are realized losses of \$58,845 and \$34,813, respectively, related to other-than-temporary declines in fair value of investments. In addition, temporarily restricted net assets were reduced by \$8,750 and \$5,643 respectively, for impairment adjustments.

Including the impairment charges noted above, for the quarters ended September 30, 2018 and 2017, included in excess of revenues over expenses are net realized gains of \$84,934 and \$54,514, respectively. For the twelve months ended September 30, 2018 and 2017, included in excess of revenues over expenses are net realized gains of \$214,738 and \$170,450, 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 September 30, 2018 and 2017, adjustments to prior year estimates resulted in an increase in income from operations of \$3,275 and \$10,565, respectively. For the twelve months ended September 30, 2018 and 2017, adjustments to prior year estimates resulted in an increase of \$51,677 and \$34,995, 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.

In 2013, Partners HealthCare recorded the estimated overpayment amounts received in 2010 through 2012 of \$79,020 as deferred revenue to be amortized into net patient service revenue in 2014 through 2017 to offset the rate reductions. Management believes this accounting treatment better reflects the financial impact of this rate methodology and more accurately presents the recognition of revenue. For the quarter and twelve months ended September 30, 2017, amortization amounted to \$8,259 and \$33,035, respectively.

Notes to Consolidated Financial Statements
(In Thousands)

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 \$4,000 and \$57,200 in fiscal years 2018 and 2017, respectively.
5. The current portion of long-term obligations includes payments scheduled to be made over the next twelve months of \$135,440, bonds supported by Partners HealthCare liquidity that can be tendered prior to September 30, 2019 of \$167,700 and bonds supported by bank facilities with financial institutions (standby bond purchase agreements or letters of credit) that expire prior to September 30, 2019 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.
6. In December 2017, PHS issued \$948,105 of Partners HealthCare System Series 2017 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 (\$111,556), Series J (\$344,484), Series K (\$44,331), Series L (\$231,658) and Series M (\$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 2011 (\$97,206), Series 2016A (\$14,325) and Series 2016B (\$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 September 30, 2018, \$52,848 was 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)	Fourth Quarter Ended September 30,		Twelve Months Ended September 30,	
	2018	2017	2018	2017
Total operating revenue	\$ 102,838	\$ 93,451	\$ 398,574	\$ 272,451
Income from operations	\$ 4,808	\$ 4,322	\$ 21,275	\$ 6,238
Nonoperating investment income (loss)	2,288	5,158	6,037	17,349
Excess of revenues over expenses	\$ 7,096	\$ 9,480	\$ 27,312	\$ 23,587

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)	Fourth Quarter Ended September 30,	Twelve Months Ended September 30,
	2018	2018
Total operating revenue	\$ 111,057	\$ 220,061
Income from operations	\$ 984	\$ 3,050
Nonoperating investment income (loss)	(9,818)	5,096
Excess of revenues over expenses	\$ (8,834)	\$ 8,146

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

	Fourth Quarter Ended September 30,		Twelve Months Ended September 30,	
	2018	2017	2018	2017
INPATIENT:				
Discharges	42,668	41,536	168,959	165,093
% Change	2.7%		2.3%	
Discharge Days	225,125	217,523	889,474	862,169
% Change	3.5%		3.2%	
Average Length of Stay (Days)	5.28	5.24	5.26	5.22
% Change	0.8%		0.8%	
Patient Days	212,317	205,085	839,399	811,086
% Change	3.5%		3.5%	
Births	4,471	4,608	17,184	16,902
% Change	-3.0%		1.7%	
OUTPATIENT:				
ATO's	6,967	7,332	27,069	26,964
% Change	-5.0%		0.4%	
ED Observations	2,232	2,628	9,343	10,205
% Change	-15.1%		-8.4%	
Day Surgery	23,843	18,001	86,032	69,644
% Change	32.5%		23.5%	
Ambulatory visits	472,224	416,578	1,805,848	1,671,795
% Change	13.4%		8.0%	
ER Visits	114,503	106,907	425,761	404,246
% Change	7.1%		5.3%	
Procedures	417,798	392,444	1,648,206	1,528,867
% Change	6.5%		7.8%	
Major Imaging	107,473	91,996	400,182	348,484
% Change	16.8%		14.8%	
Minor Imaging	295,660	286,097	1,166,680	1,172,873
% Change	3.3%		-0.5%	
Treatments	241,591	241,272	936,453	921,634
% Change	0.1%		1.6%	
Therapies	329,310	318,668	1,283,143	1,264,221
% Change	3.3%		1.5%	
Lab Services	2,518,580	2,455,202	9,958,630	9,518,202
% Change	2.6%		4.6%	
CASE MIX INDEX (CMI) ⁽²⁾:				
Combined Academic (The General & BWH)	1.95	1.96	1.97	1.94
	-0.5%		1.5%	
Combined Community (BWFH, NSMC & NWH)	1.15	1.14	1.18	1.12
	0.9%		5.4%	

⁽¹⁾ Includes data from The General, BWH, BWFH, NSMC, NWH, Cooley Dickinson, Nantucket and Martha's Vineyard, for the period 1/1/17 - 9/30/17, Wentworth-Douglass and for the period 4/1/18-9/30/18 Mass Eye and Ear.

⁽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,	
	2018	2017	2018	2017
INPATIENT:				
Discharges	40,224	39,427	160,060	158,725
% Change	2.0%		0.8%	
Discharge Days	215,246	209,287	853,764	837,079
% Change	2.8%		2.0%	
Average Length of Stay (Days)	5.35	5.31	5.33	5.27
% Change	0.8%		1.1%	
Patient Days	203,360	197,682	806,741	788,509
% Change	2.9%		2.3%	
Births	4,119	4,287	15,934	15,994
% Change	-3.9%		-0.4%	
OUTPATIENT:				
ATO's	6,131	6,633	24,011	24,999
% Change	-7.6%		-4.0%	
ED Observations	2,232	2,628	9,343	10,205
% Change	-15.1%		-8.4%	
Day Surgery	16,090	16,584	66,854	65,415
% Change	-3.0%		2.2%	
Ambulatory visits	398,246	405,566	1,629,576	1,637,184
% Change	-1.8%		-0.5%	
ER Visits	100,286	98,287	379,978	378,451
% Change	2.0%		0.4%	
Procedures	389,213	364,849	1,533,973	1,448,971
% Change	6.7%		5.9%	
Major Imaging	96,861	86,035	367,132	331,830
% Change	12.6%		10.6%	
Minor Imaging	284,299	275,411	1,120,408	1,140,098
% Change	3.2%		-1.7%	
Treatments	217,898	219,031	846,519	852,996
% Change	-0.5%		-0.8%	
Therapies	286,303	281,305	1,119,254	1,149,499
% Change	1.8%		-2.6%	
Lab Services	2,388,625	2,331,512	9,445,048	9,162,599
% Change	2.4%		3.1%	
CASE MIX INDEX (CMI)⁽²⁾:				
Combined Academic (The General & BWH)	1.95	1.96	1.97	1.94
	-0.5%		1.5%	
Combined Community (BWFH, NSMC & NWH)	1.15	1.14	1.18	1.12
	0.9%		5.4%	

⁽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**

	Fourth Quarter Ended September 30,		Twelve Months Ended September 30,	
	2018	2017	2018	2017
REHABILITATION				
Inpatient:				
Discharges	1,059	1,118	4,391	4,579
% Change	-5.3%		-4.1%	
Discharge Days	28,678	26,320	104,336	100,926
% Change	9.0%		3.4%	
Average Length of Stay (Days)	27.08	23.54	23.76	22.04
% Change	15.0%		7.8%	
Patient Days	26,303	26,109	102,541	101,867
% Change	0.7%		0.7%	
Outpatient:				
Home Health	132,936	236,002	607,211	922,661
% Change	-43.7%		-34.2%	
Therapies	220,373	218,761	869,279	817,331
% Change	0.7%		6.4%	

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

PSYCHIATRIC

Inpatient:				
Discharges	1,544	1,590	6,180	6,331
% Change	-2.9%		-2.4%	
Discharge Days	18,464	17,685	70,334	69,188
% Change	4.4%		1.7%	
Average Length of Stay (Days)	11.96	11.12	11.38	10.93
% Change	7.6%		4.1%	
Patient Days	18,472	17,272	71,034	69,024
% Change	6.9%		2.9%	
Outpatient:				
Psychiatric Services	30,893	30,004	122,263	131,176
% Change	3.0%		-6.8%	

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

	Fourth Quarter Ended September 30,		Twelve Months Ended September 30,	
	2018	2017	2018	2017
Medical loss ratio ⁽¹⁾	86.3%	91.3%	87.6%	94.0%
% Change	-5.0%		-6.4%	
Administrative expense ratio	16.3%	6.0%	9.4%	6.3%
% Change	10.3%		3.1%	
Total members	117,651	368,252	117,651	368,252
% Change	-68.1%		-68.1%	

⁽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 September 30, 2018
(In Thousands)

INVESTMENT LIQUIDITY⁽¹⁾

Investment Pool	Funds Available						Total
	Same Day	1 Week	1 Month	3 Months	1 Year	>1 Year	
Money Market	\$297,052	-	-	-	-	-	\$297,052
Aggregate Bond	292,172	210,059	-	57,618	-	-	559,848
Long Term	191,555	1,548,604	1,943,818	1,289,953	1,237,389	2,369,418	8,580,736
Total	\$780,778	\$1,758,662	\$1,943,818	\$1,347,571	\$1,237,389	\$2,369,418	\$9,437,636
Cumulative Total	\$780,778	\$2,539,441	\$4,483,259	\$5,830,830	\$7,068,219	\$9,437,636	

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⁾	-	\$69,385	\$19,790	\$80,830	-	-	\$170,005
Index Floating Rate	-	-	-	-	-	416,303	416,303
Term Rate	-	-	-	-	-	131,185	131,185
Total	-	\$69,385	\$19,790	\$80,830	-	\$547,488	\$717,493
Cumulative Total	-	\$69,385	\$89,175	\$170,005	\$170,005	\$717,493	

⁽¹⁾ Excludes ERISA.

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

Money Market Pool

9/30/2018

Portfolio Manager
Benchmark

Various
iMoneyNet Money Market Fund Average/All Taxable

	Portfolio	Benchmark
Market Value (\$000)	\$ 297,052	n/a
Avg Rating	AAA	A1/P1
Avg Maturity (Days)	1.0	n/a
Avg Life (Days)	1.0	n/a
Avg Yield	2.07%	n/a

Net Asset Value	1.0
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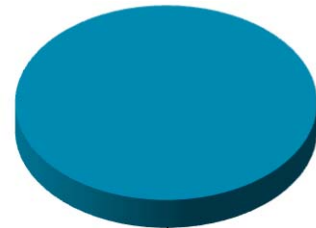
Annualized Returns	Portfolio	Benchmark	Outperform. *
Month	0.20%	0.13%	+ 0.06%
Quarter	0.57%	0.40%	+ 0.17%
FYTD	1.58%	1.20%	+ 0.39%
CYTD	1.33%	1.02%	+ 0.32%
1 Year	1.58%	1.20%	+ 0.39%
2 Year	1.08%	0.80%	+ 0.28%
3 Year	0.81%	0.56%	+ 0.25%
5 Year	0.53%	0.34%	+ 0.18%
Inception (12/31/94)	2.67%	2.22%	+ 0.45%

Annualized Performance Measures since Inception (01/05)			
StDev	0.65%	0.62%	-
Sharpe Ratio	0.35	(0.35)	+
Tracking Error	0.07%	n/a	
Info Ratio	6.60	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	274	0.038%
	Below BM	11	
Down Months	Above BM	0	
	Below BM	0	

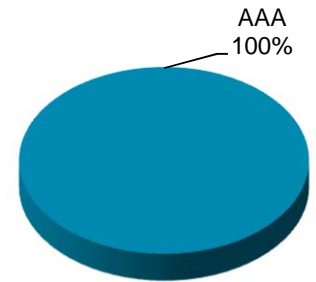
* computed outperformance may not match portfolio/benchmark returns due to rounding.

Instruments



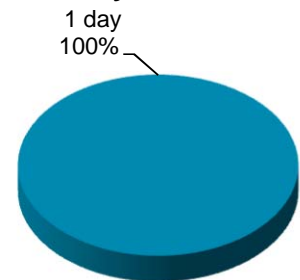
Mutual Funds
100%

S&P Quality Breakdown



AAA
100%

Maturity Breakdown



1 day
100%

Congress Short Term Treasuries

9/30/2018

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

	Portfolio	Benchmark
Market Value (\$000)	\$ 138,310	n/a
# Issues	14	156
Avg Coupon	1.98%	2.00%
Avg Rating	AAA	AAA
Avg Maturity	2.85	2.81
Avg Yield	2.86%	2.85%
Avg Mod. Duration	2.72	2.68
Avg. Convexity	0.10	0.10

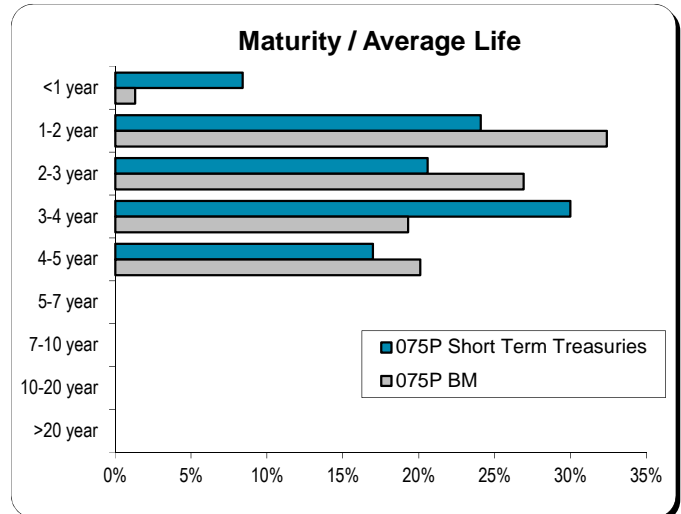
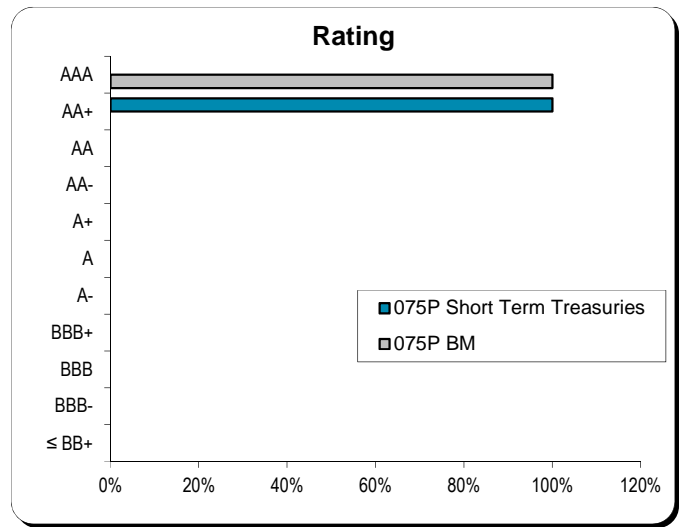
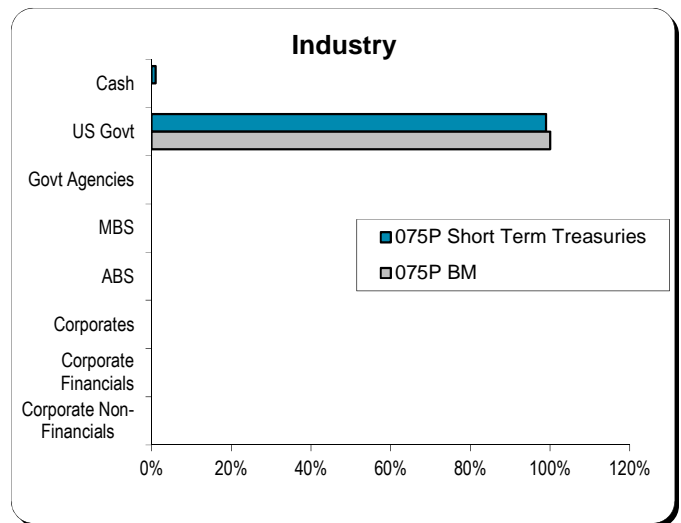
Annualized Returns	Portfolio	Benchmark	Outperform. *
Month	-0.29%	-0.29%	- 0.01%
Quarter	0.02%	0.05%	- 0.03%
FYTD	-0.75%	-0.64%	- 0.12%
CYTD	-0.31%	-0.23%	- 0.08%
1 Year	-0.75%	-0.64%	- 0.12%
2 Year	-0.46%	-0.37%	- 0.09%
3 Year	0.17%	0.26%	n/a
5 Year	n/a	n/a	n/a
Inception (4/1/14)	0.66%	0.74%	- 0.08%

Annualized Performance Measures since Inception (4/14)			
StDev	1.31%	1.31%	-
Sharpe Ratio	(1.36)	(1.30)	-
Tracking Error	0.05%	n/a	-
Info Ratio	(1.46)	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	9	0.01%
	Below BM	18	-0.01%
Down Months	Above BM	9	0.00%
	Below BM	18	-0.01%

Stress Tests	P&L (\$000)	% Ret.
Int. Rates Up 100bps	\$ (3,625)	-2.62%
Cred. Sprds up 100 bps	\$ (3,583)	-2.59%

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



Congress Intermediate Domestic Fixed Income

9/30/2018

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

	Portfolio	Benchmark
Market Value (\$000)	\$ 299,857	n/a
# Issues	36	4,831
Avg Coupon	2.81%	2.61%
Avg Rating	AA-	AA/AA-
Avg Maturity	4.35	4.31
Avg Yield	3.21%	3.21%
Avg Mod. Duration	3.97	3.90
Avg. Convexity	0.22	0.22

Annualized Returns	Portfolio	Benchmark	Outperform. *
Month	-0.41%	-0.40%	- 0.00%
Quarter	0.37%	0.21%	+ 0.15%
FYTD	-0.85%	-0.96%	+ 0.12%
CYTD	-0.59%	-0.76%	+ 0.18%
1 Year	-0.85%	-0.96%	+ 0.12%
2 Year	-0.50%	-0.37%	- 0.13%
3 Year	0.75%	0.91%	- 0.16%
5 Year	1.44%	1.52%	- 0.07%
Inception (5/31/02)	4.14%	3.66%	+ 0.47%

Annualized Performance Measures since Inception (06/02)			
StDev	3.09%	2.92%	-
Sharpe Ratio	0.55	0.42	+
Tracking Error	1.04%	n/a	
Info Ratio	0.46	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	69	0.18%
	Below BM	59	-0.12%
Down Months	Above BM	32	0.20%
	Below BM	36	-0.11%

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

Stress Tests	P&L (\$000)	% Ret.
Int. Rates Up 100bps	\$ (10,513)	-3.51%
Cred. Sprds up 100 bps	\$ (9,538)	-3.18%

