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

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Partners HealthCare Reports Third Quarter 2014 Financial Results

$34 Million Operating Loss Driven by Unresolved State Policy and Operational Issues

BOSTON, MA – Partners HealthCare today reported an operating loss of $34 million (-1.2% operating margin) in the third quarter of fiscal year 2014, which ended on June 30, 2014. Health care provider activity produced $55 million in operating income during the quarter. Insurance activity (Neighborhood Health Plan or NHP) resulted in an operating loss of $89 million, including $26 million for anticipated losses through September 30, 2014. The losses at NHP are the result of ongoing and unresolved state health policy and operational issues that are creating significant challenges for Massachusetts' Medicaid managed care organizations, of which NHP is one of the three largest. In the comparable fiscal 2013 quarter, Partners recorded income from operations of $97 million (3.7% operating margin), including $89 million from provider activity and $8 million from insurance activity.

Quarterly Results - Insurance Activity

The fiscal 2014 third quarter operating loss at NHP was driven by a continuation of unfavorable trends that have emerged since January 2014, including:

- An influx of 60,600 MassHealth members to NHP that have generated substantially higher medical claims than the state actuaries had projected, and on which rates were set. This has resulted in an increase of approximately $28 million in NHP's medical costs for the quarter ended June 30, 2014, driving up the medical loss ratio (the percentage of insurance premiums that are used to pay medical claims) on its MassHealth population. In calendar year 2013, the medical loss ratio was approximately 93% and is now at 111%;

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- Approximately $10 million in costs in the 2014 third quarter for an important break-through drug that the FDA approved in December 2013 for treating Hepatitis C patients. The state has not yet determined it will pay Medicaid managed care organizations, like NHP, for this recent new drug even though this specialty drug is currently reimbursed by the state under the Medicaid fee for service program;
- Lost revenue resulting from the state's delay in effectively implementing an insurance exchange pursuant to the Affordable Care Act, totaling approximately $4 million for the June 2014 quarter.

"We are working in partnership with other Massachusetts Medicaid managed care plans to ensure that these issues are addressed in a way that serves the health needs of MassHealth patients across the Commonwealth," said **Peter K. Markell, Chief Financial Officer and Treasurer for Partners HealthCare.** "Like other Medicaid managed care organizations, we offer this population more care coordination and disease-specific health programs. However, the current policy and operational challenges presented by the Commonwealth threaten our ability to maintain coverage, which is unfair to NHP members. We look forward to working with the state to craft equitable solutions that will address losses realized this year and avoid these types of issues in the future."

NHP had 325,700 members as of June 30, 2014, an increase of 69,200 (27%) from the June 2013 quarter. The increase in membership drove revenue growth of $91 million (27%) to $426 million in the 2014 third quarter, but operating expenses (medical claims and administrative expenses) increased $189 million (57%) to $515 million. Losses under NHP's state sponsored insurance contracts triggered an accounting requirement to estimate medical claims expense for the remainder of the contract year, which corresponds to the Partners fiscal year, resulting in a charge of $26 million (included in medical claims expense) to establish a deficiency reserve for anticipated losses through September 30, 2014.

Quarterly Results – Healthcare Provider & Other Activity

Healthcare provider and other activity generated operating income of $55 million on $2.4 billion in revenue (2.3% operating margin) in the 2014 third quarter. Last year, provider and other activity generated operating income of $89 million on $2.3 billion in revenue (3.9% operating margin).

On a same facility basis (excluding $49 million that was contributed by Cooley Dickinson Health Care (Cooley) which joined Partners in July 2013) and before the effect of eliminations from insurance activity, net patient service revenue increased $14 million (1%) to $1.8 billion as high inpatient acuity at the academic medical centers was partially offset by a continued payer mix shift to public payers. Research revenue was down $3 million (-1%) to $401 million due to a decline in government sponsored research, partially offset by greater than expected growth in non-government sponsored research activity.

Same facility operating expenses attributable to provider and other activity (excluding $50 million for Cooley) increased $54 million (2%) to $2.3 billion in the 2014 third quarter. Excluding Cooley, employee compensation and benefits increased $28 million (2%) to $1.3 billion and supplies and other expenses increased $26 million (5%) to $522 million. Depreciation increased $4 million (4%) to $112 million and interest expense increased $1 million (4%) to $31 million.

Quarterly Results - Partners HealthCare Consolidated

On a consolidated basis, Partners reported a $34 million loss from operations in the 2014 third quarter and $97 million in income from operations in the comparable 2013 quarter. Total operating revenue increased $138 million (5%) to $2.8 billion including Cooley ($49 million); however, total operating expenses increased $270 million (11%) to $2.8 billion, driven by higher medical claims and related expenses at NHP ($183 million) and the inclusion of Cooley ($50 million).

Partners recorded non-operating income of $81 million in the 2014 third quarter. Non-operating activity includes gains and losses on investments and interest rate swaps, which can vary significantly year to year, and philanthropy. In the 2013 third quarter, Partners reported a non-operating loss of $28 million.

Partners reported an overall gain of $47 million in the 2014 third quarter and an overall gain of $69 million in the comparable 2013 quarter.

Year-to-Date Results - Partners HealthCare Consolidated

Partners reported income from operations of $14 million for the nine months ended June 30, 2014. In the comparable 2013 period, Partners reported income from operations of $127 million. The 2014 period includes results for Cooley and the premium deficiency charge for NHP. The 2013 period includes a one-time charge of $76 million relating to federal Medicare policy, which requires the Centers for Medicare and Medicaid Services to recoup a portion of payments paid to hospitals in 2010 through 2012. Excluding these items, Partners income from operations was $42 million (0.5% operating margin) in the 2014 period and $203 million in the 2013 period (2.6% operating margin).

During the 2014 nine-month period, Partners HealthCare absorbed $853 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, low-income, and uninsured patients. In the comparable 2013 period, Partners absorbed $813 million in shortfalls. Government payers represented approximately 45% of Partners HealthCare gross patient service revenues.

During the 2014 nine month period, Partners reported an overall gain of $221 million, including non-operating income of $207 million. In the comparable 2013 nine month period Partners reported an overall gain of $439 million, including non-operating income of $312 million, of which $152 million reflects the net impact of adding NHP to the Partners system. Accounting rules require the fair value of acquired net assets to be recognized as non-operating gains.

Commitment to Community

Serving and investing in the community is a major focus of Partners' mission. 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 159,000 low-income patients and reported to the Attorney General investments of $210 million through a wide-range of community commitments. Examples include:

<u>Summer Food Service Program</u> - Partners is committed to collaborating with Project Bread and the Summer Food Service Program. This year our support is projected to serve lunch to a combined 12,000 children a day in six communities, with the potential to provide 400,000 lunches throughout the summer. Children up to 18 years old at camps, recreational departments, churches, and other community programs run at local schools are eligible. These nutritious meals help to keep children nourished during the summer time and prepared to return to school in the fall well fed and ready to learn.

<u>Camp Harbor View</u> - Partners has maintained a long standing relationship with Camp Harbor View located on Long Island in Boston Harbor. Our support brings an engaging health and wellness curriculum to 800 Boston campers in a safe, fun environment. In addition, nearly 40 Partners professionals volunteer their time and participate in interactive career fairs at the camp and share information about careers in science and health care.

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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)

	June 30, 2014 (unaudited)	September 30, 2013 (audited)
ASSETS		
Current assets		
Cash and equivalents	$ 500,380	$ 471,322
Investments	1,518,127	1,439,299
Collateral held under securities lending arrangements	-	229,400
Current portion of investments limited as to use	2,180,447	1,813,490
Patient accounts receivable, net	846,934	813,384
Research grants receivable	109,586	109,708
Other current assets	440,719	326,751
Receivable for settlements with third-party payers	35,276	68,854
Total current assets	5,631,469	5,272,208
Investments limited as to use, less current portion	2,995,182	2,771,216
Long-term investments	1,054,769	957,100
Pledges receivable, net and contributions receivable from trusts, less current portion	197,423	165,095
Property and equipment, net	4,487,444	4,235,839
Other assets	487,857	499,442
Total assets	$ 14,854,144	$ 13,900,900
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of long-term obligations	$ 572,722	$ 361,249
Accounts payable and accrued expenses	673,636	690,946
Accrued medical claims and related expenses	182,348	121,833
Accrued compensation and benefits	652,831	623,352
Collateral due under securities lending arrangements	-	229,400
Current portion of accrual for settlements with third-party payers	70,109	36,052
Unexpended funds on research grants	188,782	160,668
Total current liabilities	2,340,428	2,223,500
Other liabilities		
Accrual for settlements with third-party payers, less current portion	73,593	87,787
Accrued professional liability	440,717	443,688
Accrued employee benefits	632,193	648,128
Interest rate swaps liability	281,881	232,005
Accrued other	157,593	158,468
	1,585,977	1,570,076
Long-term obligations, less current portion	3,464,850	3,097,280
Total liabilities	7,391,255	6,890,856
Net assets		
Unrestricted	6,126,536	5,805,066
Temporarily restricted	874,684	792,769
Permanently restricted	461,669	412,209
Total net assets	7,462,889	7,010,044
Total liabilities and net assets	$ 14,854,144	$ 13,900,900

See Notes to Consolidated Financial Statements (Unaudited)

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

	Third Quarter Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
Operating revenue				
Net patient service revenue, net of provision for bad debts	$ 1,785,724	$ 1,745,918	$ 5,245,151	$ 4,987,755
Premium revenue	425,148	334,250	1,177,386	998,468
Direct academic and research revenue	311,356	316,007	910,189	922,125
Indirect academic and research revenue	89,757	88,440	260,653	265,453
Other revenue	156,885	146,517	477,343	475,808
Total operating revenue	2,768,870	2,631,132	8,070,722	7,649,609
Operating expenses				
Employee compensation and benefits	1,372,558	1,313,410	4,042,798	3,870,788
Supplies and other expenses	554,065	507,521	1,649,715	1,540,418
Medical claims and related expenses	418,859	259,437	1,014,221	777,253
Direct academic and research expenses	311,356	316,007	910,189	922,125
Depreciation and amortization	115,276	107,962	350,978	326,328
Interest	31,208	29,357	88,395	86,060
Total operating expenses	2,803,322	2,533,694	8,056,296	7,522,972
Income (loss) from operations	(34,452)	97,438	14,426	126,637
Nonoperating gains (expenses)				
Income from investments	78,855	5,288	191,511	118,400
Change in fair value of nonhedging interest rate swaps	(18,147)	173	(21,162)	33,055
Gifts and other, net of fundraising and other expenses	(13,064)	(19,239)	(39,057)	(43,016)
Academic and research gifts, net of expenses	33,675	(14,189)	75,556	51,548
Contribution income - affiliates	-	-	-	152,461
Total nonoperating gains, net	81,319	(27,967)	206,848	312,448
Excess of revenues over expenses	46,867	69,471	221,274	439,085
Other changes in net assets				
Change in net unrealized appreciation on marketable investments	68,793	(78,079)	112,743	(34,839)
Change in fair value of hedging interest rate swaps	(17,348)	71,390	(28,714)	105,576
Funds utilized for property and equipment	4,951	17,814	18,721	45,374
Other	(1,034)	(544)	(2,554)	(11,516)
Increase in unrestricted net assets	$ 102,229	$ 80,052	$ 321,470	$ 543,680

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

	Nine Months Ended June 30, 2014	Nine Months Ended June 30, 2013
Cash flows from operating activities:		
Change in net assets	$ 452,845	576,497
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contribution income from contributed assets - affiliates	-	(152,461)
Loss on refunding of debt	791	-
Change in fair value of interest rate swaps	49,876	(138,631)
Depreciation and amortization	350,978	326,328
Provision for bad debts	92,968	80,777
Loss on disposal of property	(143)	(793)
Net realized and change in unrealized appreciation on investments	(400,371)	(151,548)
Restricted contributions and investment income	(89,917)	(96,134)
Cash premium received upon issuance of bonds	14,337	-
Increase (decrease) in cash resulting from a change in		
Patient accounts receivable	(126,518)	(80,900)
Research grants receivable	122	(9,566)
Other current assets	(121,212)	(87,759)
Pledges receivable and contributions receivable from trusts	(25,084)	8,706
Other assets	11,093	49,411
Accounts payable and accrued expenses	(17,310)	40,702
Accrued medical claims and related expenses	60,515	(14,421)
Accrued compensation and benefits	29,479	(4,825)
Settlements with third-party payers	53,441	48,585
Unexpended funds on research grants	28,114	(9,801)
Accrued employee benefits and other	(19,781)	(286,283)
Net cash provided by operating activities	344,223	97,884
Cash flows from investing activities:		
Purchase of property and equipment	(599,161)	(500,410)
Proceeds from sale of property	464	1,889
Net purchases of investments	(367,049)	(179,625)
Cash acquired through affiliations	-	12,461
Net cash used for investing activities	(965,746)	(665,685)
Cash flows from financing activities:		
Borrowings under line of credit	45,000	-
Payments on long-term obligations	(4,684)	(6,735)
Proceeds from long-term obligations, net of financing costs	641,998	400,000
Decrease (increase) in auction rate securities holdings	23,830	(23,830)
Deposits into refunding trusts	(145,480)	-
Restricted contributions and investment income	89,917	96,134
Net cash provided by financing activities	650,581	465,569
Net increase (decrease) in cash and equivalents	29,058	(102,232)
Cash and equivalents at beginning of period	471,322	486,932
Cash and equivalents at end of period	$ 500,380	$ 384,700

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, 2013.

   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 certain 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 in value.

   For the quarters ended June 30, 2014 and 2013, included in excess of revenues over expenses are realized losses of $10,698 and $25,954, respectively, related to other-than-temporary declines in fair value of investments. In addition, temporarily restricted net assets were reduced by $2,093 and $3,117 respectively, for impairment adjustments. For the nine months ended June 30, 2014 and 2013, included in excess of revenues are realized losses of $33,317 and $42,392, respectively, related to other-than-temporary declines in fair value of investments. In addition, temporarily restricted net assets were reduced by $6,496 and $6,231 respectively, for impairment adjustments.

   Including the impariment charges noted above, for the quarters ended June 30, 2014 and 2013, included in excess of revenues over expenses are net realized gains (losses) of $79,826 and ($2,009), respectively. For the nine months ended June 30, 2014 and 2013, included in excess of revenues over expenses are net realized gains of $185,824 and $120,950, 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 June 30, 2014 and 2013, adjustments to prior year estimates resulted in an increase in income from operations of $6,199 and $26,664, respectively. For the nine months ended June 30, 2014 and 2013, adjustments to prior year estimates resulted in an increase (decrease) of $10,655 and ($23,108), respectively. The ($23,108) decrease in income from operations for the nine months ended June 30, 2013 includes $76,500 recorded as dererred revenue and is more fully described below.

   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. In 2007, Congress granted CMS the authority to recoup overpayments made to hospitals in 2008 and 2009 resulting from increased coding and documentation, which CMS did through rate reductions in 2011 and 2012. Under the American Taxpayer Relief Act of 2012, Congress granted CMS the authority to recoup overpayments made to hospitals in 2010 thorugh 2012 through rate reductions in 2014 through 2017.

(In Thousands)

3. cont. In the quarter ended December 31, 2012, Partners HealthCare elected to record the estimated overpayment amounts received in 2010 through 2012 of approximately $76,500 as deferred revenue, to be amortized into net patient service revenue in 2014 through 2017 to offset the rate reductions. For the quarter ended June 30, 2014, amortization amounted to $1,665. For the nine months ended June 30, 2014, amortization amounted to $4,995. Management believes this accounting treatment better reflects the financial impact of this rate methodology and more accurately presents the recognition of revenue.

4. Neighborhood Health Plan (NHP) recognizes premium deficiency reserves based upon expected premium revenue, medical expense and administrative expense levels, and remaining contractual obligations using NHP's historical experience. Anticipated investment income is not included in the determination of premium deficiency reserves since its effect is deemed to be immaterial. As of June 30, 2014 and 2013, the premium deficiency reserves total approximately $25,637 and $5,806, respectively, and are included in medical, hospital and pharmacy payables in the accompanying consolidated balance sheets.

5. In June 2014, PHS transferred $86,000 to NHP to improve NHP's risk-based capital (RBC) level. RBC is the minimum level of capital deemed necessary for a managed care organization based upon the types of assets held and business written, calculated in accordance with the managed care organizations' RBC formula that was adopted by the National Association of Insurance Commissioners (NAIC). If a company's Total Adjusted Capital, as defined, falls below RBC, the Insurance Commissioner is required to take actions considered necessary to protect policyholders and creditors. PHS has committed to maintain NHP's RBC at a minimum of 300%.

6. The current portion of long-term obligations includes payments scheduled to be made over the next twelve months of $98,562, along with variable rate bonds supported by Partners HealthCare liquidity of $232,810 and variable rate demand bonds (VRDB's) supported by standby bond purchase agreements with financial institutions that expire prior to June 30, 2015 of $241,350. The variable rate bonds supported by self liquidity provide the bondholder with an option to tender the bonds to Partners HealthCare. The VRDB's supported by standby bond purchase agreements provide the bondholder with an option to tender the bonds to the liquidity provider. Generally accepted accounting principles require bonds backed by standby purchase agreements expiring within one year of the balance sheet date to be classified as a current liability.

7. In November 2012, PHS issued $400,000 of Partners HealthCare System Taxable Senior Notes. Proceeds from the Notes were used to make a voluntary contribution to Partners HealthCare's defined benefit pension plans ($200,000) and to finance certain capital projects ($200,000).

   In January 2014, PHS issued $496,040 of Partners HealthCare System Series M Revenue Bonds, plus bond premium of $14,337. The bond proceeds, net of issuance costs of $4,042, were used to refund portions of Series D ($71,665) and Series K ($73,815) and to finance certain capital projects ($360,855).

   In March 2014, PHS issued $150,000 of Partners HealthCare System Taxable Senior Notes. Proceeds from the Notes were used to finance certain capital projects.

8. Partners HealthCare has a $150,000 Credit Agreement (the Agreement) with several banks 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). The agreement expires in June 2017. As of June 30, 2014, there was $45,000 outstanding under the Agreement.

9. Beginning with the quarter ended December 31, 2008, Partners HealthCare began to repurchase a portion of its auction rate securities (ARS). As of June 30, 2014 and 2013, Partners HealthCare was holding $0 and $23,830, respectively of the Series F and Series G Revenue Bonds issued as ARS. Although not legally extinguished, the bonds have been reflected as extinguished in accordance with generally accepted accounting principles. The net change (if any) in the amount of ARS repurchased and held as of the balance sheet date is presented separately in the consolidated statements of cash flows.

10. Effective July 1, 2013, Cooley Dickinson Health Care Corporation (Cooley Dickinson) became an affiliate of Partners HealthCare when Massachusetts General Hospital became the sole corporate member of Cooley Dickinson. Summary financial data for Cooley Dickison is as follows:

(GAAP, $ in 000's)	Third Quarter Ended June 30, 2013	Nine months Ended June 30, 2013
Total operating revenue	$ 49,293	$ 147,066
Income (loss) from operations	$ (795)	$ (1,727)
Nonoperating investment income	708	1,718
Excess (deficit) of revenues over expenses	$ (87)	$ (9)

PARTNERS HEALTHCARE SYSTEM, INC.: ACUTE CARE SECTOR [1]

UTILIZATION STATISTICS: *AS REPORTED*

	Third Quarter Ended June 30, 2014	2013	Nine Months Ended June 30, 2014	2013
INPATIENT:				
Discharges	38,800	37,559	114,474	112,677
% Change	3.3%		1.6%	
Discharge Days	205,996	197,877	615,081	598,370
% Change	4.1%		2.8%	
Average Length of Stay (Days)	5.31	5.27	5.37	5.31
% Change	0.8%		1.1%	
Patient Days	192,354	185,529	577,111	559,066
% Change	3.7%		3.2%	
Births	4,293	4,242	12,913	12,680
% Change	1.2%		1.8%	
OUTPATIENT:				
ATO's	7,751	6,887	22,526	20,198
% Change	12.5%		11.5%	
ED Observations	2,392	2,360	6,936	7,065
% Change	1.4%		-1.8%	
Day Surgery	17,430	16,775	51,115	48,459
% Change	3.9%		5.5%	
Routine Visits	308,189	308,919	878,814	884,439
% Change	-0.2%		-0.6%	
ER Visits	92,472	80,136	262,406	241,422
% Change	15.4%		8.7%	
Significant Procedures	28,929	26,404	84,259	75,964
% Change	9.6%		10.9%	
Major Imaging	76,401	70,175	223,458	203,517
% Change	8.9%		9.8%	
Minor Imaging	320,663	281,161	919,529	810,191
% Change	14.0%		13.5%	
Treatments	140,653	136,121	413,921	400,781
% Change	3.3%		3.3%	
Minor Procedures	173,590	142,741	514,859	418,567
% Change	21.6%		23.0%	
Therapies	201,942	154,521	572,656	441,865
% Change	30.7%		29.6%	
Psychiatric Services	70,086	68,524	201,541	192,240
% Change	2.3%		4.8%	
Lab Services	2,718,275	2,497,724	7,778,243	7,341,866
% Change	8.8%		5.9%	
CASE MIX INDEX (CMI)[2]:				
Combined Academic (The General & BWH)	2.74	2.65	2.73	2.67
	3.4%		2.2%	
Combined Community (BWFH, NSMC & NWH)	1.75	1.73	1.74	1.72
	1.2%		1.2%	

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

(2) CMI based on NY AP 21 Grouper (a grouper is a software system used to categorize patients for purposes of calculating case mix index)

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

	Third Quarter Ended June 30, 2014	Third Quarter Ended June 30, 2013	Nine Months Ended June 30, 2014	Nine Months Ended June 30, 2013
INPATIENT:				
Discharges	37,044	37,559	109,112	112,677
% Change	-1.4%		-3.2%	
Discharge Days	198,584	197,877	592,626	598,370
% Change	0.4%		-1.0%	
Average Length of Stay (Days)	5.36	5.27	5.43	5.31
% Change	1.7%		2.3%	
Patient Days	185,606	185,529	556,259	559,066
% Change	0.0%		-0.5%	
Births	4,080	4,242	12,324	12,680
% Change	-3.8%		-2.8%	
OUTPATIENT:				
ATO's	7,145	6,887	20,774	20,198
% Change	3.7%		2.9%	
ED Observations	2,392	2,360	6,936	7,065
% Change	1.4%		-1.8%	
Day Surgery	16,780	16,775	49,074	48,459
% Change	0.0%		1.3%	
Routine Visits	307,415	308,919	876,428	884,439
% Change	-0.5%		-0.9%	
ER Visits	84,802	80,136	240,433	241,422
% Change	5.8%		-0.4%	
Significant Procedures	27,292	26,404	79,275	75,964
% Change	3.4%		4.4%	
Major Imaging	71,765	70,175	209,722	203,517
% Change	2.3%		3.0%	
Minor Imaging	302,117	281,161	862,976	810,191
% Change	7.5%		6.5%	
Treatments	134,904	136,121	396,934	400,781
% Change	-0.9%		-1.0%	
Minor Procedures	149,147	142,741	438,611	418,567
% Change	4.5%		4.8%	
Therapies	166,909	154,521	473,431	441,865
% Change	8.0%		7.1%	
Psychiatric Services	70,073	68,524	201,518	192,240
% Change	2.3%		4.8%	
Lab Services	2,565,693	2,497,724	7,334,963	7,341,866
% Change	2.7%		-0.1%	
CASE MIX INDEX (CMI)[(2)]:				
Combined Academic (The General & BWH)	2.74	2.65	2.73	2.67
	3.4%		2.2%	
Combined Community (BWFH, NSMC & NWH)	1.75	1.73	1.74	1.72
	1.2%		1.2%	

[(1)] Includes data from The General, BWH, BWFH, NSMC, NWH, Nantucket and Martha's Vineyard

[(2)] CMI based on NY AP 21 Grouper (a grouper is a software system used to categorize patients for purposes of calculating case mix index)

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

	Third Quarter Ended June 30, 2014	Third Quarter Ended June 30, 2013	Nine Months Ended June 30, 2014	Nine Months Ended June 30, 2013
REHABILITATION				
Inpatient:				
Discharges	1,719	1,700	5,010	5,166
% Change	1.1%		-3.0%	
Discharge Days	39,700	36,472	110,570	114,867
% Change	8.9%		-3.7%	
Average Length of Stay (Days)	23.09	21.45	22.07	22.24
% Change	7.6%		-0.8%	
Patient Days	36,959	37,219	110,431	115,470
% Change	-0.7%		-4.4%	
Outpatient:				
Routine Visits	8,405	7,449	23,969	23,744
% Change	12.8%		0.9%	
Home Health	232,144	218,459	677,462	639,614
% Change	6.3%		5.9%	
Therapies	87,615	76,472	239,503	212,227
% Change	14.6%		12.9%	

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

	Third Quarter Ended June 30, 2014	Third Quarter Ended June 30, 2013	Nine Months Ended June 30, 2014	Nine Months Ended June 30, 2013
PSYCHIATRIC				
Inpatient:				
Discharges	1,447	1,535	4,255	4,418
% Change	-5.7%		-3.7%	
Discharge Days	14,328	14,232	42,458	42,377
% Change	0.7%		0.2%	
Average Length of Stay (Days)	9.90	9.27	9.98	9.59
% Change	6.8%		4.1%	
Patient Days	14,577	14,171	43,072	42,270
% Change	2.9%		1.9%	
Outpatient:				
Psychiatric Services	30,627	31,100	91,010	88,547
% Change	-1.5%		2.8%	

PARTNERS HEALTHCARE SYSTEM, INC.: INSURANCE SECTOR
STATISTICS

	Third Quarter Ended June 30, 2014	Third Quarter Ended June 30, 2013	Nine Months Ended June 30, 2014	Nine Months Ended June 30, 2013
Medical loss ratio [1]	107.9%	90.3%	98.6%	90.0%
% Change	19.5%		9.6%	
Total members	325,726	256,507	325,726	256,507
% Change	27.0%		27.0%	

[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
Routine Visits	Includes office/outpatient services, office consults, confirmatory consults, preventive medicine and prolonged visit - clinic O/P
ER Visits	Emergency room visits
Significant Procedures	Includes pacemaker/defibrillators/EP, ablations, coronary stents, angioplasty, percutaneous valvuloplasty, atherectomy, cardiac cath, endovascular repair of abdominal aortic aneurysm and GI
Major Imaging	Includes MRI, CT Scan, nuclear medicine and PET Scan
Minor Imaging	Includes radiology diagnostic, ultrasound and mammography
Treatments	Includes chemotherapy, radiation therapy, non chemo infusions, dialysis and electroconvulsive therapy
Minor Procedures	Includes procedures performed in physician offices and hospital clinics
Therapies	Includes respiratory therapy, physical therapy, occupational therapy speech language pathology, cardiac rehabilitation and nutrition
Psychiatric Services	Includes partial days, ART days, individual therapy, group therapy, family therapy, child and adolescent days and other therapies
Lab Services	Lab services
Case Mix Index	The average diagnosis-related-group weight for all of a hospital's inpatient volume
Home Health	Nurse visits, aide visits, physical therapy, occupational therapy, speech-language pathology, registered dietician, medical social work and private duty converted hours

PARTNERS HEALTHCARE

INVESTMENT LIQUIDITY[1]
as of June 30, 2014

Funds Available (in thousands)

Investment Pool	Same Day	1 Week	1 Month	3 Months	1 Year	>1 Year	Total
Money Market	$299,604	$136,720	$0	$0	$0	$0	$436,323
Aggregate Bond	575,639	829,207	0	68,709	155,447	122,191	1,751,193
Long Term	82,253	1,600,351	917,221	876,565	782,811	1,483,970	5,743,171
Total	$957,496	$2,566,278	$917,221	$945,274	$938,258	$1,606,161	$7,930,687
Cumulative Total	$957,496	$3,523,774	$4,440,995	$5,386,269	$6,324,526	$7,930,687	

[1] Excludes ERISA.

Internally Managed Money Market Pool

as of 6/30/14

Portfolio Manager **Sean Blatchley** since October 2012
Benchmark iMoneyNet Money Market Fund Average/All Taxable

	Portfolio	Benchmark
Market Value ($000)	$ 436,323	n/a
Avg Rating	A1/P1	A1/P1
Avg Maturity (Days)	70.7	n/a
Avg Life (Days)	70.7	n/a
Avg Yield	0.19%	n/a

Net Asset Value	1.0

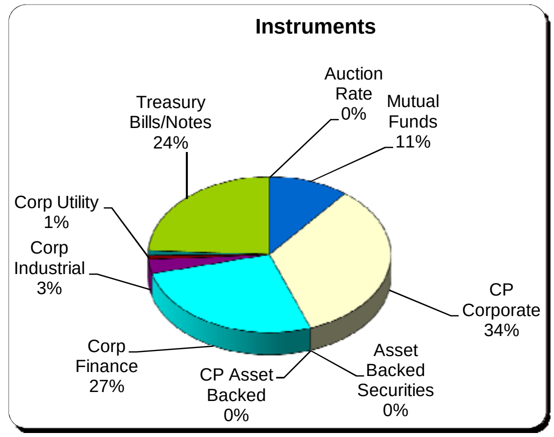
Annualized Returns	Portfolio	Benchmark	Outperform. *
Month	0.02%	0.00%	+ 0.02%
Quarter	0.06%	0.00%	+ 0.06%
FYTD	0.17%	0.01%	+ 0.16%
CYTD	0.11%	0.01%	+ 0.11%
1 Year	0.25%	0.01%	+ 0.24%
2 Year	0.29%	0.02%	+ 0.27%
3 Year	0.32%	0.02%	+ 0.29%
5 Year	0.39%	0.03%	+ 0.36%
Inception (12/31/94)	3.13%	2.62%	+ 0.51%

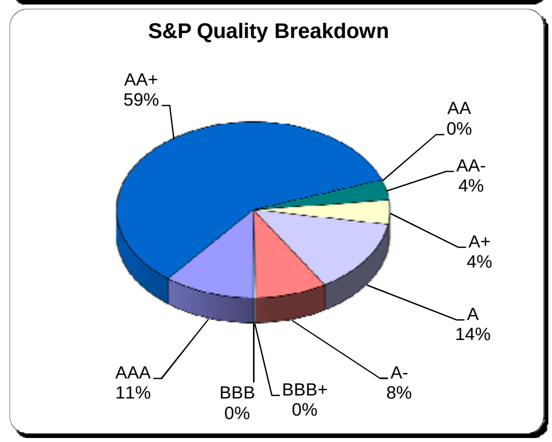
Annualized Performance Measures since Inception (01/05)			
StDev	0.64%	0.63%	-
Sharpe Ratio	0.53	(0.27)	+
Tracking Error	0.06%	n/a	
Info Ratio	5.81	n/a	
Monthly Alpha	0.05%	0.00%	+
Beta	1.17	1.00	-
BM Correl	0.99	1.00	

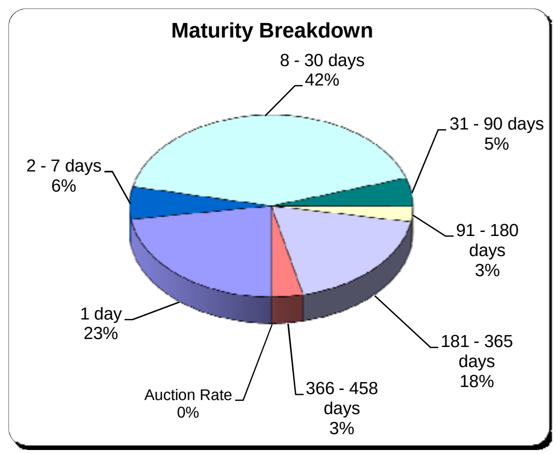
Relative Performance		# Months	Average
Up Months	Above BM	233	0.042%
	Below BM	0	
Down Months	Above BM	0	
	Below BM	0	

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

Stress Tests	P&L ($000)	% Ret.	Result
Int. Rates Up 100bps	$ (753)	-0.17%	Pass
Cred. Sprds up 100 bps	$ (664)	-0.15%	Pass







The Money Market Fund outperformed the benchmark by two basis points (bps) in June. At the conclusion of its two-day meeting on June 18th, the FOMC announced that it would continue to taper asset purchases by $10B per month, reducing agency MBS and Treasury securities purchases to $15B and $20B per month, respectively. This came as no surprise as data released during the month had suggested that the economy was continuing to move in the right direction. The final reading of Q1 GDP was sharply lower than the previous two readings, owing mostly to a significantly slower pace of consumer spending growth. Estimates of consumer spending in the previous Q1 GDP readings had assumed a meaningful increase in healthcare spending associated with the Affordable Care Act, but no such increase materialized; healthcare spending was actually slightly lower. Economists point to transitory causes for the Q1 slowdown and expect a rebound in Q2. Markets are anticipating that June's labor report will reveal that businesses continued to add more than 200K employees to payrolls, keeping pace with the increases seen in each of the past four months. The money market yield curve steepened slightly over the month. Overnight LIBOR was unchanged, six-month LIBOR rose 1bp and one-year LIBOR rose 2bp to 0.09%, 0.33% and 0.55% respectively. The pool's average maturity excluding auction rate securities rose to 71 days from 66 days the prior month. This was in part due to the pool balance dropping by approximately $140M from the end of May, combined with an emphasis on shorter term liquidity.

Management continues to maintain a barbelled position, with a focus on providing daily liquidity through continued investment in U.S. Treasuries, overnight and short-dated commercial paper, and money funds. The MMP balance dropped from approximately $570M at the beginning of May to just over $430M by the end of the month. In the corporate space, management bought three names over the month - AXP, BACR and ANZNZ. Management also sold six names in June - three auction rate securities as well as two GE bonds and some WFC paper. This was a result of the decrease in the pool balance as well as the self liquidity requirements placed upon the MMP. Given the required liquidity profile of the pool to meet the self liquidity program's needs, management is placing a heavy emphasis upon overnight liquidity to meet the operational requirements of the organization. Secondarily and where appropriate, management will selectively look to add yield.

Congress Short Term Treasuries

as of 6/30/14

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

	Portfolio	Benchmark
Market Value ($000)	$ 318,771	n/a
# Issues	23	149
Avg Coupon	1.77%	1.87%
Avg Rating	AAA	AAA/AA+
Avg Maturity	2.76	2.80
Avg Yield	0.87%	0.79%
Avg Mod. Duration	2.66	2.70
Avg. Convexity	0.10	0.10

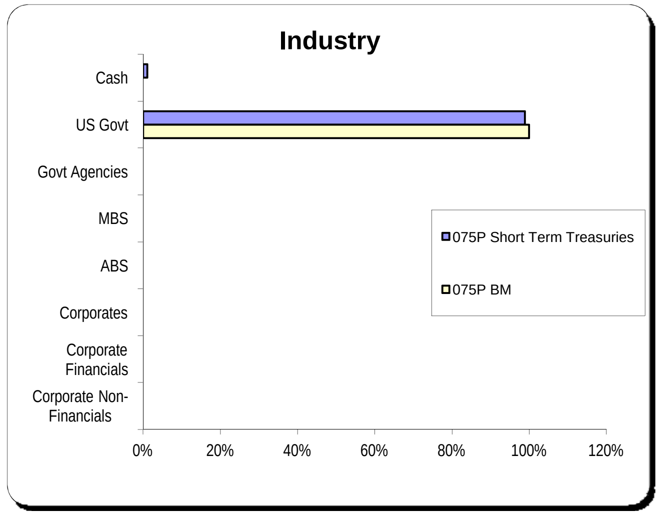
Annualized Returns	Portfolio	Benchmark	Outperform. *
Month	-0.09%	-0.09%	+ 0.00%
Quarter	0.52%	0.51%	n/a
FYTD	n/a	0.68%	n/a
CYTD	n/a	0.75%	n/a
1 Year	n/a	1.12%	n/a
2 Year	n/a	0.57%	n/a
3 Year	n/a	1.11%	n/a
5 Year	n/a	1.91%	n/a
Inception (4/1/14)	n/a	4.69%	n/a

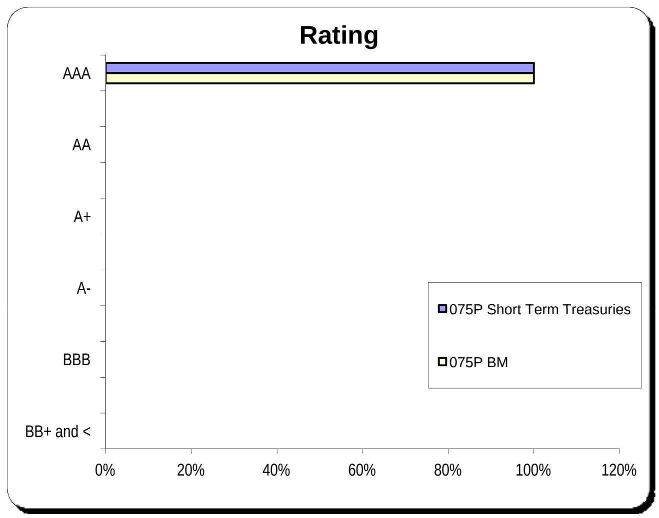
Annualized Performance Measures since Inception (4/14)			
StDev	n/a	n/a	n/a
Sharpe Ratio	n/a	n/a	n/a
Tracking Error	n/a	n/a	n/a
Info Ratio	n/a	n/a	n/a
Monthly Alpha	n/a	n/a	n/a
Beta	n/a	n/a	n/a
BM Correl	n/a	n/a	n/a

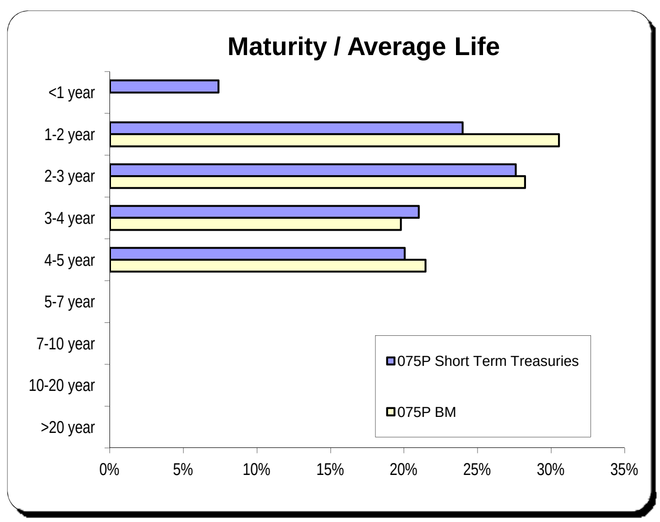
Relative Performance		# Months	Average
Up Months	Above BM	n/a	n/a
	Below BM	n/a	n/a
Down Months	Above BM	n/a	n/a
	Below BM	n/a	n/a

Stress Tests	P&L ($000)	% Ret.
Int. Rates Up 100bps	$ (8,426)	-2.64%
Cred. Sprds up 100 bp	$ 824	0.26%

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







Congress Intermediate Domestic Fixed Income

as of 6/30/14

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

	Portfolio	Benchmark
Market Value ($000)	$ 482,585	n/a
# Issues	58	5,951
Avg Coupon	2.76%	2.89%
Avg Rating	AA	AA+/AA
Avg Maturity	4.24	4.38
Avg Yield	1.56%	1.59%
Avg Mod. Duration	3.77	3.98
Avg. Convexity	0.23	0.23

Annualized Returns	Portfolio	Benchmark	Outperform. *
Month	-0.06%	-0.07%	+ 0.01%
Quarter	1.22%	1.23%	- 0.01%
FYTD	2.10%	2.22%	- 0.12%
CYTD	2.33%	2.25%	+ 0.09%
1 Year	2.67%	2.85%	- 0.18%
2 Year	1.30%	1.56%	- 0.26%
3 Year	2.78%	2.83%	- 0.05%
5 Year	4.23%	4.09%	+ 0.14%
Inception (5/31/02)	5.19%	4.52%	+ 0.67%

Annualized Performance Measures since Inception (06/02)			
StDev	3.32%	3.14%	-
Sharpe Ratio	1.12	0.97	+
Tracking Error	1.12%	n/a	
Info Ratio	3.32	n/a	
Monthly Alpha	0.08%	0.00%	+
Beta	0.98	1.00	+
BM Correl	0.94	1.00	

Relative Performance		# Months	Average
Up Months	Above BM	57	0.20%
	Below BM	43	-0.15%
Down Months	Above BM	22	0.28%
	Below BM	22	-0.14%

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

Stress Tests	P&L ($000)	% Ret.
Int. Rates Up 100bps	$ (18,094)	-3.75%
Cred. Sprds up 100 bp	$ (7,252)	-1.50%