



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

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Partners HealthCare Reports 2017 Financial Results

BOSTON, MA – Partners HealthCare today reported operating income of \$53 million (0.4% operating margin) in fiscal year 2017, which ended on September 30. Health care provider activity generated operating income of \$7 million (see Provider Activity) and insurance activity (Neighborhood Health Plan or NHP) resulted in operating income of \$46 million (see Insurance Activity). In 2016, Partners reported a loss from operations of \$108 million (-0.9% operating margin), including a loss from provider activity of \$4 million and a loss from insurance activity of \$104 million.

Operating results for both fiscal years include several new and non-routine items, including components of Partners' intense efforts to meet the fiscal realities and regulatory pressures of the new health care landscape:

- Costs associated with a voluntary retirement offering by Brigham Health to certain employees: \$88 million in 2017;
- The state imposed annual assessment on hospitals in 2017 to help fund MassHealth, of which the net impact to Partners was \$31 million;
- Costs associated with the installation of Partners eCare (an integrated, electronic health and administrative information system) and investments in 'Partners 2.0' a multi-year, system-wide initiative to optimize efficiency across Partners HealthCare and its institutions: \$68 million in 2017 and \$73 million in 2016;
- Impact of early exit from leases in connection with administrative space consolidation plans: \$26 million in 2016;
- Operating income contributed by Wentworth-Douglass Health System (Dover, NH) which joined Partners on January 1, 2017: \$6 million.

"This is a period of intense redesign and restructuring at Partners HealthCare," said **Peter K. Markell**, Chief Financial Officer and Treasurer at Partners HealthCare. "The steps we are taking are aimed at improving the clinical care we offer our patients while also putting our organization in the best position possible to remain financially healthy into the future."

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Partners total operating revenue grew \$853 million (7%) to \$13.4 billion in 2017, reflecting an increase in provider activity (\$827 million, 8% -- of which \$272 million or 2% was contributed by Wentworth-Douglass) and a slight decrease in insurance activity (\$21 million, -0.8%).

Total operating expenses increased \$693 million (5%) to \$13.3 billion, principally due to the inclusion of Wentworth-Douglass (\$266 million or 2%), the impact of Brigham Health's voluntary retirement offering (\$88 million) and the state's new Medicaid assessment (\$92 million).

In fiscal 2017, Partners HealthCare 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, an increase of \$150 million (12%) over the shortfall absorbed in fiscal 2016.

Partners reported an overall gain of \$659 million in 2017, including a non-operating gain of \$607 million of which \$321 million (approximately 50% of the overall gain) represents the net impact of adding Wentworth-Douglass to the Partners system. Accounting rules require the fair value of acquired net assets to be recognized as non-operating gains. Non-operating activity also 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 2016, Partners reported an overall loss of \$249 million, including a non-operating loss of \$141 million.

Health Care Provider & Other Activity (Provider Activity)

Provider activity generated operating income of \$7 million in 2017 compared with a loss of \$4 million in 2016. The 2017 results reflect the net impact of the new Medicaid assessment (\$31 million), Brigham Health's voluntary retirement opportunity (\$88 million), eCare implementation costs and Partners 2.0 investments (together, \$68 million) and the addition of Wentworth-Douglass (\$6 million). The 2016 results reflect the impact associated with preparations for a nursing strike at Brigham and Women's Hospital (\$24 million), which was averted with agreement on a 3-year contract extension, an administrative lease consolidation effort that required early exits from various leases (\$26 million) and eCare implementation costs and Partners 2.0 investments (together, \$73 million). Excluding these non-routine items, Provider Activity generated operating income of \$188 million (1.7% operating margin) in 2017 and \$119 million (1.1% operating margin) in 2016.

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Revenue for provider activity increased \$827 million (8%) to \$11.3 billion in 2017, including \$272 million (3%) for Wentworth-Douglass. Net patient service revenue increased \$706 million (9%) to \$8.8 billion, reflecting the inclusion of Wentworth-Douglass (\$264 million or 3%) and overall growth in same-facility inpatient and outpatient activity. Research revenue increased \$96 million (6%) to \$1.8 billion, driven by growth in government-sponsored and corporate-sponsored research activity. Other operating revenue, excluding patient care and research revenue, increased \$25 million (4%) to \$673 million.

Operating expenses attributable to provider activity increased \$816 million (8%) – of which \$266 million or 3% was due to the addition of Wentworth-Douglass – to \$11.3 billion in 2017. The inclusion of Wentworth-Douglass (\$156 million) and the impact of Brigham Health’s voluntary retirement opportunity (\$88 million) contributed to an increase in employee compensation and benefits of \$397 million (7%) to \$6.3 billion. Supplies and other expenses increased \$226 million (9%) to \$2.7 billion, reflecting increased costs for pharmaceuticals and clinical supplies (\$75 million, 8%) and the new Medicaid assessment (\$92 million, 4%), partially offset by a slight decrease in eCare implementation costs and investments to help achieve cost and productivity efficiencies (together, -\$5 million, -8%). Depreciation increased \$71 million (13%) to \$625 million. Interest expense increased \$47 million (35%) to \$182 million, reflecting additional debt and the cessation of capitalizing interest on projects that were completed.

Insurance Activity

Insurance activity resulted in an operating gain of \$46 million in 2017 compared to an operating loss of \$104 million in 2016. These results reflect the net impact of recording and amortizing premium deficiency reserves. The impact was a decrease in claims expense of \$52 million and an increase in claims expense of \$19 million in 2017 and 2016, respectively. Excluding the net impact of premium deficiency reserves, insurance activity resulted in an operating loss of \$6 million (-0.2% operating margin) in 2017 and a loss of \$85 million (-3.4% operating margin) in 2016.

Premium revenue decreased \$21 million (1%) to \$2.5 billion in 2017. NHP’s membership declined by 19% from September 30, 2016 to September 30, 2017, reflecting an agreement that NHP and MassHealth made 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. On September 30, roughly 66% of NHP’s 368,252 members were in MassHealth.

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“NHP is generating growth in the commercial marketplace, fueled by the introduction of innovative, employer friendly products,” said **Markell**. “We are pleased with the progress NHP has made toward stabilizing its financial performance and will continue to work closely with the state to continue to address some of the uncertainty we had been experiencing in the Medicaid market in years past.”

Medical claims expense decreased \$175 million (-7%) to \$2.3 billion in 2017, reflecting the decline in membership as well as the impact of premium deficiency reserve amortization (\$52 million). Excluding the impact of premium deficiency reserves, NHP’s medical loss ratio (the percentage of insurance premiums that are used to pay medical claims) was 94.0% in 2017 and 97.3% in 2016.

General and administrative costs increased \$5 million (3%) to \$156 million in 2017. The administrative expense ratio (the percentage of insurance premiums that are used to pay general and administrative expenses) increased to 6.3% in 2017 from 6.0% in 2016.

Fourth Quarter Consolidated Results

Partners reported a loss from operations of \$4 million for the quarter ended September 30, 2017. Provider activity generated an operating loss of \$28 million and insurance activity generated operating income of \$24 million. In the comparable 2016 quarter, Partners reported a loss from operations of \$109 million, including operating losses of \$34 million and \$75 million from provider and insurance activity, respectively.

Total operating revenue increased \$177 million (6%) to \$3.4 billion for the three months ended September 30, 2017, reflecting growth in provider activity (\$251 million, 9% -- of which \$93 million or 3% was contributed by Wentworth-Douglass) and a decrease in insurance activity (-\$94 million, -14%). Total operating expenses increased \$72 million (2%) to \$3.4 billion, as the addition of Wentworth-Douglass (\$89 million) and the impact of the state’s new Medicaid tax (\$23 million) and Brigham Health’s voluntary retirement offering (\$69 million) were more than offset by a decline in medical claims expense (\$188 million).

Partners reported an overall gain of \$40 million for the three months ended September 30, 2017, including a non-operating gain of \$44 million. In the comparable 2016 quarter, Partners reported an overall loss of \$95 million, including a non-operating gain of \$14 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 164,000 low-income patients and reported to the Massachusetts Attorney General investments of \$223 million through a wide-range of community commitments.

Beginning in 2018, 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 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)

	September 30, 2017 (audited)	September 30, 2016 (audited)
ASSETS		
Current assets		
Cash and equivalents	\$ 739,117	\$ 827,683
Investments	1,506,524	1,069,006
Current portion of investments limited as to use	1,367,172	1,588,787
Patient accounts receivable, net	977,294	881,993
Research grants receivable	127,868	129,243
Other current assets	436,037	449,440
Receivable for settlements with third-party payers	90,611	55,238
Total current assets	5,244,623	5,001,390
Investments limited as to use, less current portion	3,320,230	3,069,175
Long-term investments	1,266,697	1,136,528
Pledges receivable, net and contributions receivable from trusts, less current portion	199,730	194,684
Property and equipment, net	6,226,382	5,881,927
Other assets	614,096	599,775
Total assets	\$ 16,871,758	\$ 15,883,479
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of long-term obligations	\$ 615,151	\$ 441,018
Accounts payable and accrued expenses	716,040	732,187
Accrued medical claims and related expenses	196,037	289,866
Accrued compensation and benefits	805,624	731,674
Current portion of accrual for settlements with third-party payers	52,348	63,195
Unexpended funds on research grants	265,253	247,423
Total current liabilities	2,650,453	2,505,363
Other liabilities		
Accrual for settlements with third-party payers, less current portion	20,231	7,443
Accrued professional liability	476,083	487,705
Accrued employee benefits	1,294,357	2,163,540
Interest rate swaps liability	367,830	510,172
Accrued other	156,909	156,178
Long-term obligations, less current portion	4,441,786	4,578,721
Total liabilities	9,407,649	10,409,122
Net assets		
Unrestricted	5,889,170	4,060,285
Temporarily restricted	887,531	790,886
Permanently restricted	687,408	623,186
Total net assets	7,464,109	5,474,357
Total liabilities and net assets	\$ 16,871,758	\$ 15,883,479

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

	Fourth Quarter Ended September 30,		Twelve Months Ended September 30,	
	2017	2016	2017	2016
Operating revenue				
Net patient service revenue, net of provision for bad debts	2,171,448	1,939,631	\$ 8,382,683	\$ 7,629,304
Premium revenue	575,609	669,654	2,487,100	2,508,924
Direct academic and research revenue	365,172	349,074	1,438,226	1,363,580
Indirect academic and research revenue	96,697	93,596	389,831	368,192
Other revenue	183,761	163,923	673,223	647,887
Total operating revenue	3,392,687	3,215,878	13,371,063	12,517,887
Operating expenses				
Employee compensation and benefit expenses	1,692,764	1,539,469	6,391,589	5,987,168
Supplies and other expenses	704,128	661,171	2,789,579	2,566,386
Medical claims and related expenses	430,158	598,685	1,890,368	2,017,773
Direct academic and research expenses	365,172	349,074	1,438,226	1,363,580
Depreciation and amortization expenses	167,121	139,758	626,383	555,814
Interest expense	37,977	36,733	182,348	135,045
Total operating expenses	3,397,320	3,324,890	13,318,493	12,625,766
Income (loss) from operations	(4,633)	(109,012)	52,570	(107,879)
Nonoperating gains (expenses)				
Income from investments	61,462	35,563	223,363	61,102
Change in fair value of interest rate swaps	14,114	13,150	144,860	(106,110)
Gifts and other, net of fundraising and other expenses	(33,039)	7,928	(108,353)	(37,293)
Academic and research gifts, net of expenses	2,110	(42,281)	25,268	(58,831)
Contribution income - affiliates	-	-	321,389	-
Total nonoperating gains (expenses), net	44,647	14,360	606,527	(141,132)
Excess (deficit) of revenues over expenses	40,014	(94,652)	659,097	(249,011)
Other changes in net assets				
Change in net unrealized appreciation on marketable investments	57,445	104,372	209,260	200,042
Funds utilized for property and equipment	22,871	13,705	44,384	49,162
Change in funded status of defined benefit plans	285,409	(647,180)	915,409	(647,180)
Other	1,283	(8)	735	(390)
Increase (decrease) in unrestricted net assets	\$ 407,022	\$ (623,763)	\$ 1,828,885	\$ (647,377)

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

	Twelve Months Ended September 30,	
	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 1,989,752	\$ (578,445)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contribution income - affiliates	(325,908)	-
Change in funded status of defined benefit plans	(915,409)	647,180
Gain on refunding of debt	-	(3,556)
Change in fair value of interest rate swaps	(144,860)	106,110
Depreciation and amortization	626,383	555,814
Provision for bad debts	139,554	127,798
Amortization of bond discount/premium and issuance costs	(4,349)	1,728
(Gain) loss on disposal of property	(3,865)	53
Net realized and change in unrealized appreciation on investments	(641,801)	(344,727)
Restricted contributions and investment income	(132,714)	(129,649)
Cash premium upon issuance of bonds	-	67,636
Increases (decreases) in cash resulting from a change in		
Patient accounts receivable	(200,945)	(131,758)
Research grants receivable	1,375	(7,468)
Pledges receivable and contributions receivable from trusts	2,511	1,329
Other assets	16,168	(40,167)
Accounts payable and accrued expenses	(54,229)	85,832
Accrued medical claims and related expenses	(93,829)	57,598
Accrued compensation and benefits	48,992	16,516
Settlements with third-party payers	(52,525)	(30,561)
Unexpended funds on research grants	17,830	45,286
Accrued employee benefits and other	30,646	(176,520)
Net cash provided by operating activities	302,777	270,029
Cash flows from investing activities:		
Purchases of property and equipment	(754,105)	(1,102,846)
Proceeds from sale of property	7,104	566
Net proceeds from sales of investments	251,455	319,990
Cash acquired through affiliations	39,244	-
Net cash used for investing activities	(456,302)	(782,290)
Cash flows from financing activities:		
Borrowing under line of credit	-	74,969
Repayments under line of credit	-	(74,969)
Payments on long-term obligations	(67,755)	(70,499)
Proceeds from long-term obligations, net of financing costs	-	745,258
Deposits into refunding trusts	-	(86,032)
Restricted contributions and investment income	132,714	129,649
Net cash provided by financing activities	64,959	718,376
Net (decrease) increase in cash and equivalents	(88,566)	206,115
Cash and equivalents at beginning of period	827,683	621,568
Cash and equivalents at end of period	\$ 739,117	\$ 827,683

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 September 30, 2017 and 2016, included in excess of revenues over expenses are realized losses of \$7,759 and \$4,918, respectively, related to other-than-temporary declines in fair value of investments. In addition, temporarily restricted net assets were reduced by \$1,644 and \$945, respectively, for impairment adjustments. For the twelve months ended September 30, 2017 and 2016, included in excess of revenues are realized losses of \$34,813 and \$80,553, respectively, related to other-than-temporary declines in fair value of investments. In addition, temporarily restricted net assets were reduced by \$5,643 and \$17,604 respectively, for impairment adjustments.

Including the impairment charges noted above, for the quarters ended September 30, 2017 and 2016, included in excess of revenues over expenses are net realized gains of \$54,514 and \$12,928, respectively. For the twelve months ended September 30, 2017 and 2016, included in excess of revenues over expenses are net realized gains (losses) of \$170,450 and \$6,706, 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, 2017 and 2016, adjustments to prior year estimates resulted in an increase (decrease) in income from operations of \$10,565 and (\$4,160), respectively. For the twelve months ended September 30, 2017 and 2016, adjustments to prior year estimates resulted in an increase of \$34,995 and \$12,536, 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 quarters ended September 30, 2017 and 2016, amortization amounted to \$8,259 and \$5,975, respectively. For the twelve months ended September 30, 2017 and 2016, amortization amounted to \$33,035 and \$23,900, respectively.
4. Neighborhood Health Plan (NHP) premium deficiency reserves are assessed and recognized on a product line basis based upon expected premium revenue, medical expense and administrative expense levels, and remaining contractual obligations using historical experience. As of September 30, 2016, premium deficiency reserve totaled approximately \$51,735 and is included in accrued medical claims and related expenses in the accompanying consolidated financial statements. There is no premium deficiency reserve at September 30, 2017.
5. Risk-based capital (RBC) is a methodology adopted by the National Association of Insurance Commissioners (NAIC) for determining the minimum level of capital and surplus deemed necessary for an insurer based upon the types of assets held and business written. Pursuant to a guaranty entered into by PHS when it acquired 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 and \$123,800 in fiscal years 2017 and 2016, respectively.
6. The current portion of long-term obligations includes payments scheduled to be made over the next twelve months of \$73,636, bonds supported by Partners HealthCare liquidity that can be tendered prior to September 30, 2018 of \$435,265 and bonds supported by bank facilities with financial institutions (stand by bond purchase agreements or letters of credit) that expire prior to September 30, 2018 of \$106,250. The bonds supported by Partners HealthCare liquidity provide the bondholder with an option to tender the bonds to Partners HealthCare. Accordingly, these bonds are classified as a current liability. The bonds supported by bank facilities provide the bondholder with an option to tender the bonds to the liquidity provider. Generally accepted accounting principles require bonds backed by bank facilities expiring within one year of the balance sheet date as well as potential principal amortization under bank facilities' term out provisions due within one year of the balance sheet date to be classified as a current liability.
7. In September 2016, PHS issued \$225,000 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.

In March 2016, PHS issued \$100,000 of Partners HealthCare System Series R Revenue Bonds. Proceeds from the bonds will be used to finance certain capital projects.

In January 2016, PHS issued \$423,990 of Partners HealthCare System Series Q Revenue Bonds, plus bond premium of \$67,636. The bond proceeds, net of issuance costs of \$3,732, were used to refund portions of Series F Bonds (\$2,873), Series G Bonds (\$8,068) and Series K Bonds (\$75,091) and to finance certain capital projects (\$401,862).
8. 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, 2017, there were no amounts outstanding under the Agreement. The Agreement expires in June 2020.
9. 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,		Nine months ended September 30,	
	2017	2016	2017	2016
Total operating revenue	<u>\$ 93,451</u>	<u>\$ 88,727</u>	<u>\$ 272,451</u>	<u>\$ 258,929</u>
Income from operations	\$ 4,322	\$ 7,108	\$ 6,238	\$ 15,680
Nonoperating investment income (loss)	5,158	6,760	17,349	9,534
Excess of revenues over expenses	<u>\$ 9,480</u>	<u>\$ 13,868</u>	<u>\$ 23,587</u>	<u>\$ 25,214</u>

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

	Fourth Quarter Ended September 30,		Twelve Months Ended September 30,	
	2017	2016	2017	2016
INPATIENT:				
Discharges	41,536	40,116	165,087	158,227
% Change	3.5%		4.3%	
Discharge Days	217,523	202,285	862,169	826,253
% Change	7.5%		4.3%	
Average Length of Stay (Days)	5.24	5.04	5.22	5.22
% Change	4.0%		0.0%	
Patient Days	205,085	192,693	811,086	778,152
% Change	6.4%		4.2%	
Births	4,608	4,265	16,902	16,157
% Change	8.0%		4.6%	
OUTPATIENT:				
ATO's	7,332	5,162	26,964	22,640
% Change	42.0%		19.1%	
ED Observations	2,628	3,735	10,205	11,393
% Change	-29.6%		-10.4%	
Day Surgery	19,275	16,249	72,386	67,735
% Change	18.6%		6.9%	
Routine Visits	335,863	313,684	1,362,281	1,261,782
% Change	7.1%		8.0%	
ER Visits	102,562	96,358	388,052	370,837
% Change	6.4%		4.6%	
Significant Procedures	32,930	30,185	130,992	119,626
% Change	9.1%		9.5%	
Major Imaging	91,318	77,978	346,692	310,713
% Change	17.1%		11.6%	
Minor Imaging	285,972	310,263	1,175,848	1,254,959
% Change	-7.8%		-6.3%	
Treatments	166,932	156,370	658,026	606,458
% Change	6.8%		8.5%	
Minor Procedures	150,770	141,946	612,290	569,236
% Change	6.2%		7.6%	
Therapies	240,803	223,485	976,488	862,806
% Change	7.7%		13.2%	
Psychiatric Services	76,280	53,297	286,607	232,488
% Change	43.1%		23.3%	
Lab Services	2,727,620	2,550,363	10,613,423	10,267,774
% Change	7.0%		3.4%	
CASE MIX INDEX (CMI) ⁽²⁾:				
Combined Academic (The General & BWH)	1.92	1.86	1.94	1.86
	3.2%		4.3%	
Combined Community (BWFH, NSMC & NWH)	1.01	1.07	1.12	1.12
	-5.6%		0.0%	

⁽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.: REHABILITATION & PSYCHIATRIC CARE SECTORS
UTILIZATION STATISTICS**

	Fourth Quarter Ended September 30,		Twelve Months Ended September 30,	
	2017	2016	2017	2016
REHABILITATION				
Inpatient:				
Discharges	1,118	1,158	4,579	4,768
% Change	-3.5%		-4.0%	
Discharge Days	26,320	24,622	100,926	103,595
% Change	6.9%		-2.6%	
Average Length of Stay (Days)	23.54	21.26	22.04	21.73
% Change	10.7%		1.4%	
Patient Days	26,109	26,380	101,867	105,624
% Change	-1.0%		-3.6%	
Outpatient:				
Routine Visits	8,210	9,413	34,660	38,776
% Change	-12.8%		-10.6%	
Home Health	236,001	226,933	922,658	948,261
% Change	4.0%		-2.7%	
Therapies	101,281	92,032	383,653	361,977
% Change	10.0%		6.0%	

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

PSYCHIATRIC

Inpatient:				
Discharges	1,590	1,618	6,331	6,037
% Change	-1.7%		4.9%	
Discharge Days	17,685	17,846	69,188	65,341
% Change	-0.9%		5.9%	
Average Length of Stay (Days)	11.12	11.03	10.93	10.82
% Change	0.8%		1.0%	
Patient Days	17,272	17,686	69,024	65,845
% Change	-2.3%		4.8%	
Outpatient:				
Psychiatric Services	30,012	32,889	131,164	131,852
% Change	-8.7%		-0.5%	

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

	Fourth Quarter Ended September 30,		Twelve Months Ended September 30,	
	2017	2016	2017	2016
Medical loss ratio ⁽¹⁾	91.3%	98.3%	94.0%	97.3%
% Change	-7.0%		-3.3%	
Administrative expense ratio	6.0%	5.8%	6.3%	6.0%
% Change	0.2%		0.3%	
Total members	368,252	454,033	368,252	454,033
% Change	-18.9%		-18.9%	

⁽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
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, 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	\$408,743	-	-	-	-	-	\$408,743
Aggregate Bond	476,210	172,049	-	55,836	-	-	704,095
Long Term	115,101	1,487,549	1,507,259	1,066,325	974,717	1,870,470	7,021,419
Total	\$1,000,053	\$1,659,599	\$1,507,259	\$1,122,160	\$974,717	\$1,870,470	\$8,134,257
Cumulative Total	\$1,000,053	\$2,659,652	\$4,166,911	\$5,289,071	\$6,263,788	\$8,134,257	

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⁾	-	\$61,995	\$14,040	\$94,475	-	-	\$170,510
Index Floating Rate	-	-	-	-	221,920	243,800	465,720
Term Rate	-	-	-	-	43,340	-	43,340
Total	\$0	\$61,995	\$14,040	\$94,475	\$265,260	\$243,800	\$679,570
Cumulative Total	\$0	\$61,995	\$76,035	\$170,510	\$435,770	\$679,570	

⁽¹⁾ Excludes ERISA.

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

Money Market Pool

9/30/2017

Portfolio Manager
Benchmark

Various
iMoneyNet Money Market Fund Average/All Taxable

	Portfolio	Benchmark
Market Value (\$000)	\$ 408,743	n/a
Avg Rating	AAA	A1/P1
Avg Maturity (Days)	1.0	n/a
Avg Life (Days)	1.0	n/a
Avg Yield	0.99%	n/a

Net Asset Value	1.0
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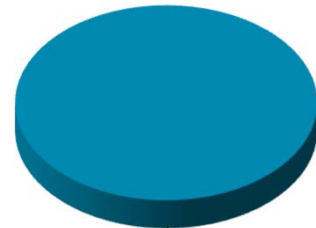
Annualized Returns	Portfolio	Benchmark	Outperform. *
Month	0.06%	0.06%	+ 0.01%
Quarter	0.21%	0.17%	+ 0.04%
FYTD	0.58%	0.40%	+ 0.18%
CYTD	0.52%	0.36%	+ 0.16%
1 Year	0.58%	0.40%	+ 0.18%
2 Year	0.43%	0.25%	+ 0.18%
3 Year	0.29%	0.17%	+ 0.12%
5 Year	0.27%	0.11%	+ 0.16%
Inception (12/31/94)	2.72%	2.27%	+ 0.45%

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	6.64	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	262	0.039%
	Below BM	11	
Down Months	Above BM	0	
	Below BM	0	

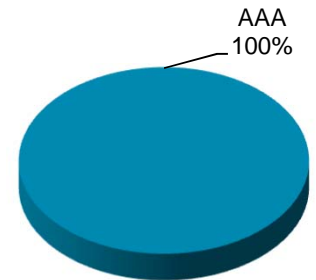
* computed outperformance may not match portfolio/benchmark returns due to rounding.

Instruments



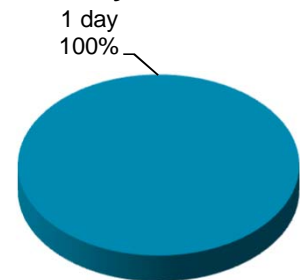
Mutual Funds
100%

S&P Quality Breakdown



AAA
100%

Maturity Breakdown



1 day
100%

Congress Short Term Treasuries

9/30/2017

Portfolio Manager
Benchmark

Jeff Porter since April 2014
BC US Treas 1-5 yr

	Portfolio	Benchmark
Market Value (\$000)	\$ 164,612	n/a
# Issues	14	157
Avg Coupon	1.96%	1.75%
Avg Rating	AAA	AAA/Aaa
Avg Maturity	2.90	2.85
Avg Yield	1.63%	1.62%
Avg Mod. Duration	2.79	2.76
Avg. Convexity	0.10	0.10

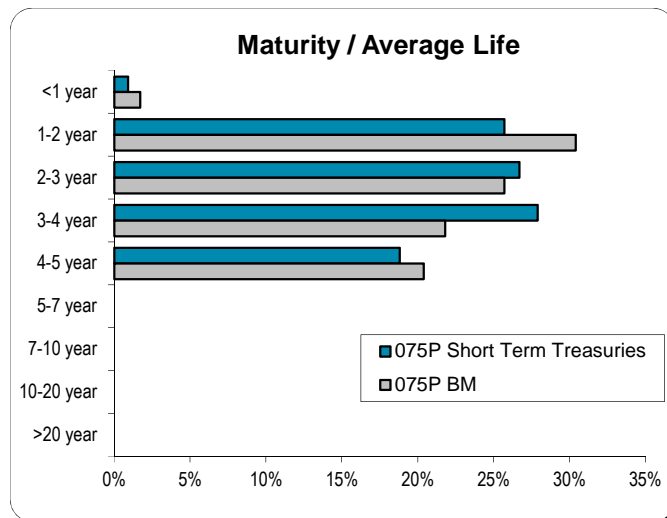
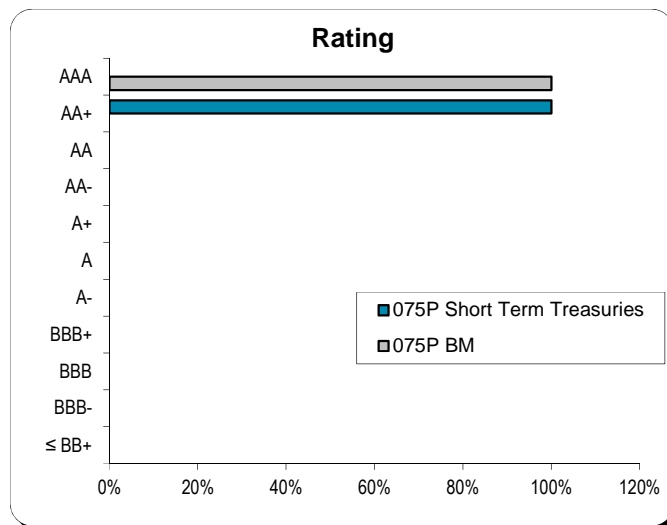
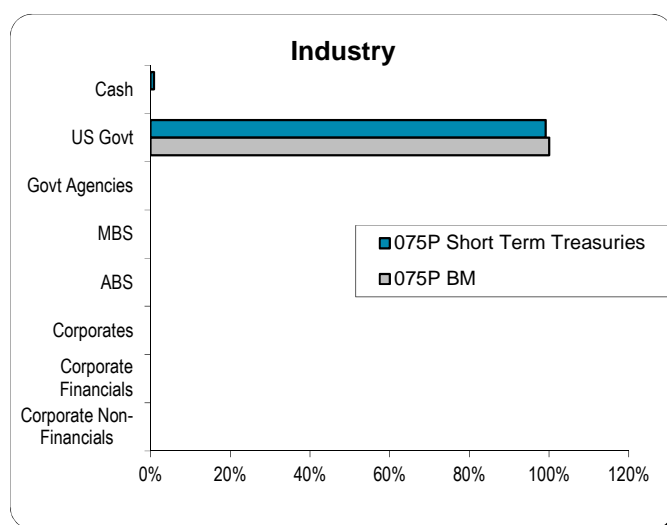
Annualized Returns	Portfolio	Benchmark	Outperform. *
Month	-0.35%	-0.34%	- 0.01%
Quarter	0.27%	0.29%	- 0.02%
FYTD	-0.16%	-0.10%	- 0.06%
CYTD	1.00%	1.09%	- 0.09%
1 Year	-0.16%	-0.10%	- 0.06%
2 Year	0.64%	0.72%	- 0.08%
3 Year	1.11%	1.16%	n/a
5 Year	n/a	n/a	n/a
Inception (4/1/14)	1.07%	1.13%	- 0.06%

Annualized Performance Measures since Inception (4/14)			
StDev	1.34%	1.34%	+
Sharpe Ratio	(1.05)	(1.00)	-
Tracking Error	0.05%	n/a	
Info Ratio	(1.22)	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	11	-0.01%

Stress Tests	P&L (\$000)	% Ret.
Int. Rates Up 100bps	\$ (3,889)	-2.36%
Cred. Sprds up 100 bps	\$ (3,878)	-2.36%

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



Congress Intermediate Domestic Fixed Income

9/30/2017

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

	Portfolio	Benchmark
Market Value (\$000)	\$ 401,011	n/a
# Issues	47	4,680
Avg Coupon	2.78%	2.45%
Avg Rating	AA	AA/Aa2
Avg Maturity	4.40	4.40
Avg Yield	2.04%	2.10%
Avg Mod. Duration	4.06	4.05
Avg. Convexity	0.24	0.22

Annualized Returns	Portfolio	Benchmark	Outperform. *
Month	-0.50%	-0.45%	- 0.04%
Quarter	0.54%	0.60%	- 0.06%
FYTD	-0.16%	0.23%	- 0.38%
CYTD	1.98%	2.34%	- 0.36%
1 Year	-0.16%	0.23%	- 0.38%
2 Year	1.55%	1.86%	- 0.30%
3 Year	2.02%	2.13%	- 0.11%
5 Year	1.42%	1.61%	- 0.19%
Inception (5/31/02)	4.47%	3.97%	+ 0.50%

Annualized Performance Measures since Inception (06/02)			
StDev	3.14%	2.97%	-
Sharpe Ratio	0.63	0.50	+
Tracking Error	1.04%	n/a	
Info Ratio	0.48	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	66	0.18%
	Below BM	57	-0.13%
Down Months	Above BM	29	0.22%
	Below BM	32	-0.12%

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

Stress Tests	P&L (\$000)	% Ret.
Int. Rates Up 100bps	\$ (14,029)	-3.50%
Cred. Sprds up 100 bps	\$ (12,680)	-3.16%

