



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

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Partners HealthCare Reports Second Quarter 2012 Financial Results

BOSTON, MA – Partners HealthCare today reported income from operations of \$5 million (0.2% operating margin) for the second quarter of the fiscal year, which ended on March 31, 2012. The results for the quarter include a one-time, non-cash charge of \$110 million related to a [shift in strategic direction for Partners clinical information systems](#) that resulted in a corresponding decision to end work on certain other information system projects. This strategic direction will allow for better coordinated patient care as Partners moves into a new health care environment that will include Accountable Care Organizations, new payment models and a focus on population health management. Exclusive of the one-time charge, income from operations was \$115 million. In the comparable 2011 quarter, Partners reported income from operations of \$71 million (3.4% operating margin).

Partners reported an overall gain of \$132 million for the quarter, down from an overall gain of \$166 million in the comparable 2011 quarter. Non-operating income, which includes gains and losses on investments and interest rate swaps as well as philanthropy, was \$127 million in the 2012 quarter. In the comparable 2011 quarter, Partners reported non-operating income of \$95 million.

“Our focus on expense control and improving operational efficiencies enabled us to experience a reasonably strong quarter and allows our 60,000 employees to further our mission of improving patient care, advancing scientific research and medical education,” said **Peter K. Markell**, Chief Financial Officer and Treasurer at Partners HealthCare. “Our commitment and investment in a health care information system for the future will enable this organization to continue to deliver the type of high quality, coordinated and efficient care that our patients and the marketplace expect.”

Second Quarter Results

Total operating revenue increased \$163 million (8%) to \$2.2 billion in the 2012 second quarter. Net patient service revenue increased \$138 million (9%) to \$1.7 billion, reflecting increases in patient

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activity and rates. Inpatient activity, measured by system-wide discharges and observation cases, grew 3.9% relative to the 2011 quarter, and outpatient volume for visits, surgeries, treatments and therapies was favorable. Research revenue increased \$19 million (5%) to \$389 million. Other operating revenue, excluding patient care and research revenue, increased \$6 million (4%) to \$156 million.

Excluding the non-cash charge, total operating expenses increased \$119 million (6%) to \$2.1 billion in the 2012 second quarter. Employee compensation and benefits increased \$68 million (6%) to \$1.2 billion, primarily due to wage increases and increases in the cost of pension and health benefits. Supplies and other expenses increased \$19 million (4%) to \$494 million, reflecting cost increases associated with volume growth and investments that will position Partners to perform efficiently under new risk-based agreements. Depreciation increased \$8 million to \$106 million and interest expense increased \$8 million to \$26 million.

Year-to-Date Results

Including the one-time charge, Partners reported income from operations of \$77 million for the six months ended March 31, 2012, a decline of \$16 million from the comparable 2011 period. The 2011 results include a one-time charge of \$40 million that was intended to help reduce health insurance premiums. Excluding the one-time charges in both periods, income from operations was \$187 million for the six months ended March 31, 2012 and \$134 million in the comparable prior year period. Partners reported an overall gain of \$260 million, including non-operating income of \$182 million, in 2012 and an overall gain of \$334 million, including non-operating income of \$241 million, in 2011.

During the six month period, Partners HealthCare hospitals, physicians, and community health centers absorbed \$485 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 – a \$21 million increase over the same period in fiscal 2011. Government payers represent approximately 40% of Partners HealthCare net patient service revenues.

Commitment to Community

Partners HealthCare maintains the largest commitment to the community of any health care provider in Massachusetts, making measurable, sustainable progress towards improving the health and well-being of vulnerable people and populations in the communities we serve through three priority areas: access

to quality, affordable health care; economic and educational opportunities; and prevention.

Earlier this month, [Partners announced a long term \\$10 million commitment to college scholarships](#) for Boston area students interested in careers in health and science and participating in the youth achievement programs at Brigham and Women's and Massachusetts General Hospitals. These scholarships will benefit more than 400 students. This comprehensive effort is made up of services that include: tutoring, mentoring, paid internships, SAT prep, financial counseling, and annual scholarships.

[Partners HealthCare recently announced a \\$2.2 million commitment to the Massachusetts League of Community Health Centers](#) to help health centers reshape the way care is delivered around the state. The funds will be used to support a wide range of workforce development programs -- including training and technical assistance -- as the role of health centers continues to expand and evolve in Massachusetts' rapidly changing health care landscape.

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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, 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.