



**Ochsner Health System  
Quarterly Financial Information Disclosure**

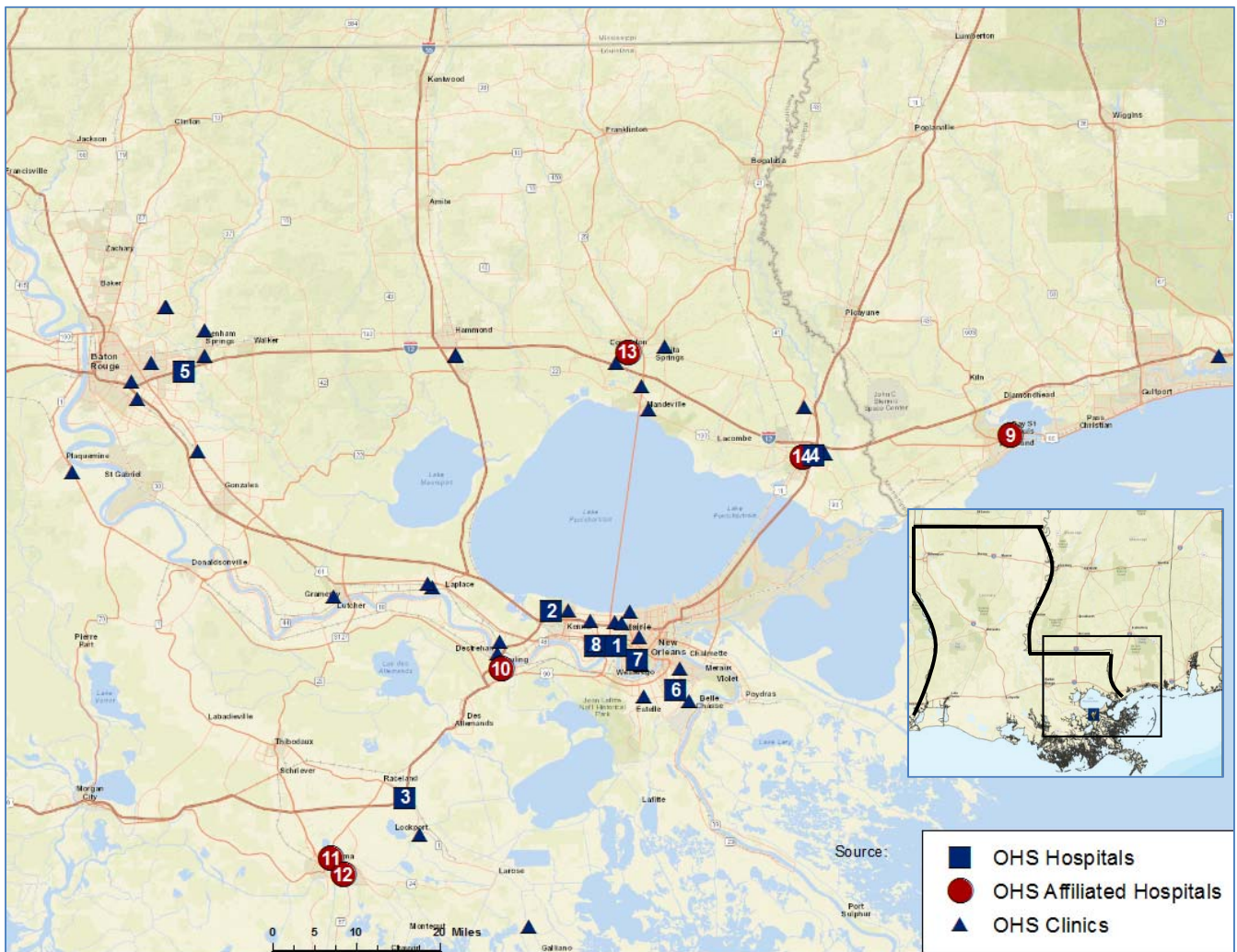
**For the Nine Months Ended  
September 30, 2016**

## System Overview

Ochsner Health System (“OHS”) is a Louisiana-based nonprofit corporation and an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code (the “Code”) founded on providing the best patient care, research and education. OHS is the “parent company” of the largest non-profit, academic, multi-specialty, integrated healthcare delivery system in the Gulf Coast region (“Ochsner” or the “System”) with eight hospitals and 67 health centers. When combined with affiliated hospitals, Ochsner owns, provides management assistance and support, or is affiliated with 28 hospitals. It also employs over 1,000 active staff physicians that have 1,043 board certifications in 67 specialties, trains over 280 medical residents and fellows annually, has 451 Doctor of Medicine students enrolled in the University of Queensland, Ochsner Clinical School, and is currently conducting over 1,000 clinical research studies. In 2016, more than 438,000 people from all 50 states and more than 80 countries visited Ochsner.

Ochsner is recognized nationally for quality. Awards and recognitions in 2016 include:

- Healthgrades named Ochsner Health Center – Elmwood, Ochsner Medical Center, and Ochsner Medical Center – West Bank Campus as Distinguished Hospitals for safety and quality.
- Ochsner Medical Center, Ochsner Baptist Medical Center, and Ochsner Medical Center – West Bank Campus have received the Healthgrades 2016 Distinguished Hospital Award for Clinical Excellence™ for the seventh year in a row.
- Ochsner Health System announced that it has received the Healthgrades 2016 America’s 50 Best Hospitals Award™ for awarded to Ochsner Medical Center, Ochsner Baptist Medical Center and Ochsner Medical Center – West Bank Campus.
- *Becker's Hospital Review* has recognized Ochsner Medical Center as one of “100 Great Hospitals in America” for 2016. This is the fifth consecutive year that Ochsner Medical Center has been recognized with this award.
- *Becker's Hospital Review* announced Ochsner Medical Center – Baton Rouge as the only Louisiana hospital named to the 2016 "100 Great Community Hospitals" list.
- Ochsner Medical Center, Ochsner Medical Center – West Bank Campus and Ochsner Baptist Medical Center have again been ranked among the best hospitals in the country in three medical specialties, according to U.S. News and World Report’s 2016-17 Best Hospitals rankings. Ochsner Medical Center (in conjunction with Ochsner Medical Center – West Bank Campus and Ochsner Baptist Medical Center) was also ranked #1 in Louisiana and #1 in the New Orleans metro area as well as being recognized among the Best Hospitals in Southeastern Louisiana.
- Ochsner Health System has been named one of four finalists in the Health Acceleration Challenge by the Forum on Health Care Innovation – a collaboration between Harvard Business School (HBS) and Harvard Medical School (HMS) – for its work on the Ochsner Hypertension Digital Medicine Program.
- Ochsner Medical Center, Ochsner Baptist Medical Center and Ochsner Medical Center – West Bank Campus was recognized as one in the country for liver transplants for the fifth year in a row by CareChex® – a division of Comparion®.
- Ochsner Hospital for Children is the only children’s hospital in Louisiana to receive the 2016 Women’s Choice Award® as one of America’s Best Hospitals for Children.



#### Ochsner Health System Hospitals

Ochsner Medical Center (1)	Ochsner Medical Center Kenner (2)	Ochsner St. Anne General Hospital (3)
Ochsner Medical Center Northshore (4)	Ochsner Medical Center Baton Rouge (5)	Ochsner Medical Center West Bank (6)
Ochsner Baptist Medical Center (7)	Ochsner Elmwood Hospital (8)	

#### Ochsner Health System Affiliate Hospitals

Hancock Medical Center (9)	St. Charles Parish Hospital (10)	Terrebonne General Medical Center (11)
Leonard J Chabert Medical Center (12)	St. Tammany Parish Hospital (13)	Slidell Memorial Hospital (14)

\* Lafayette General Health's 7 Hospitals, CHRISTUS Health Louisiana's 6 Hospitals and Glenwood Regional Medical Center are excluded from map as each is located outside of the Service Area as hereinafter defined.

## **Forward Looking Information:**

*This Financial Information Disclosure contains disclosures, which contain “forward looking statements” within the meaning of the Federal securities laws. Forward looking statements include all statements that do not relate solely to historical or current fact and can be identified by the use of words “expect”, “anticipate”, “intend”, “project”, “likely”, “may”, “might”, “estimate”, “budget” and similar words or expressions. These forward looking statements are based on the current plans and expectations of Ochsner Health System (“OHS”) as of the date of this report and are subject to a number of known and unknown risks and uncertainties inherent in the operation of health care facilities, many of which are beyond OHS's control, that could significantly affect current plans and expectations and OHS's future financial position and results of operations.*

*Important factors that could cause results to differ materially from those expected by management include, but are not limited to, general, economic and business, competition from other healthcare facilities in the service areas, an unfavorable pricing environment, inability to achieve expected efficiencies in operations or effectively control health care costs, the efforts of insurers and others to contain health care costs, changes in Medicare or Medicaid reimbursement formulas, the risk that managed care provider arrangements will not be negotiated or renewed on acceptable terms, future divestitures or acquisitions which may have a financial impact, availability and terms of capital to fund future expansion and ongoing capital needs, new laws or regulations, the possible enactment of federal or state health care reform, fines or penalties related to regulatory matters, changes in accounting standards and practices, the outcome of pending and future litigation and government investigations, labor issues and the ability to attract and retain qualified management and other personnel, including physicians, nurses and medical support personnel.*

*Given these uncertainties, bondholders and prospective bondholders are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this report. OHS disclaims any obligation, and makes no promise, to update any such factors or forward looking statements or to disclose any facts, events or circumstances after the date hereof that may affect the accuracy of any forward looking statements, whether as a result of changes in underlying factors, to reflect new information, as a result of the occurrence of events or developments or otherwise.*

## **Description of Credit Group**

OHS was formed in July 2006 and is the sole corporate member of Ochsner Clinic Foundation (“OCF”) and Ochsner Community Hospitals (“OCH”). OCF is more fully described below. OCH, a Louisiana nonprofit corporation and an organization exempt from taxation under Section 501(c)(3) of the Code, was formed on July 17, 2006 for the purpose of acquiring certain medical facilities from Tenet Healthcare Corporation that now operate as Ochsner Medical Center - Kenner, Ochsner Medical Center – West Bank Campus and Ochsner Baptist Medical Center. It owns and operates Ochsner Medical Center - Kenner, a 110 bed acute care hospital. OCH also owns Ochsner Medical Center – West Bank Campus and Ochsner Baptist Medical Center, which are leased to OCF and operate as remote campuses of Ochsner Medical Center (“OMC”).

OCF is the only Obligated Group Member under the Master Indenture. Certain affiliates of OCF, including OCH, have been designated as Designated Affiliates and Credit Group Members under the Master Indenture. Credit Group or Credit Group Members means all Obligated Group Members and Designated Affiliates. Under the Master Indenture, Obligated Group Members are jointly and severally liable to make payments with respect to Obligations issued under the Master Indenture. Designated Affiliates are not obligated to make payments with respect to Obligations but may be required to transfer to Obligated Group Members amounts necessary to enable the Obligated Group Members to make payments under the Master Indenture. Obligated Group Members may designate entities as Designated Affiliates under the Master Indenture, and may rescind such designation at any time. Designated Affiliates have not changed since the 2016 Official Statement dated May 3, 2016. OCF and Designated Affiliates constituted 93.9% of the consolidated total assets of OHS as of September 30, 2016 and 99.9% of the consolidated total revenue of OHS for the nine months ended September 30, 2016.

## **Obligated Group Member**

OCF is the only Obligated Group Member under the Master Indenture. OCF is headquartered in New Orleans, Louisiana, and, either directly or through its fully owned affiliates or subsidiaries, owns and operates four hospitals and other healthcare facilities, including:

- OMC, a 498-bed acute care hospital located in New Orleans, Louisiana, which serves as the flagship of Ochsner, and includes an 11-story clinic building, a 137-room hotel and related medical facilities located on a main campus in Jefferson Parish at the western end of New Orleans;
- Ochsner Elmwood Hospital, a 66-bed satellite hospital of OMC, located in Elmwood, Louisiana;
- Ochsner Medical Center – Baton Rouge, a 150-bed acute care hospital in Baton Rouge, Louisiana;
- Ochsner Medical Center – North Shore, a 157-bed acute care hospital in Slidell, Louisiana;
- 67 health centers throughout southeast Louisiana and Mississippi; and,
- Several fitness centers that operate as Ochsner Fitness Center.

OCF, either directly or through its fully owned affiliates or subsidiaries, operates three non-owned hospitals, including:

- Ochsner St. Anne General Hospital, a 35-bed acute care hospital in Raceland, Louisiana through a 15-year agreement with Lafourche Parish Hospital Service District No. 2 consummated in 2006;
- Ochsner Medical Center – West Bank, a 165-bed acute care hospital in New Orleans, Louisiana, and
- Ochsner Baptist Medical Center, a 102-bed acute care hospital in New Orleans, Louisiana, which both operate as remote campuses of OMC and are leased from OCH.

OCF, either directly or through its fully owned affiliates or subsidiaries, provides management assistance and support to three hospitals:

- Leonard J. Chabert Medical Center (“LJCMC”), a 156-bed public, safety net hospital in Houma, Louisiana;
- Hancock Medical Center, a 47-bed acute care hospital in Bay St. Louis, Mississippi;
- St. Charles Parish Hospital (“SCPH”), a 59-bed public, safety net hospital in Luling, Louisiana.

OCF also has joint operating agreements with three hospitals:

- Terrebonne General Medical Center (“TGMC”), a 321-bed acute care hospital in Houma, Louisiana;
- St. Tammany Parish Hospital (“STPH”), a 232-bed acute care hospital in Covington, Louisiana;
- Slidell Memorial Hospital (“SMH”), a 229-bed public acute care hospital in Slidell, Louisiana

OCF also entered into strategic partnerships to create clinical affiliations with Lafayette General Health, CHRISTUS Health Louisiana and Glenwood Regional Medical Center.

In recent years, OCF and OHS have entered into several strategic partnership and affiliation agreements that increase local access to care, improve quality, reduce the cost of healthcare, and share best practices and resources in order to improve the health of Louisiana communities. Agreements completed in 2016 are as follows:

- Slidell Memorial Hospital. Effective January 1, 2016, OHS and OCF entered into a Joint Operating Agreement (“JOA”) with SMH to align both parties’ respective assets and operations located in eastern St. Tammany Parish and to share resources, expand services, and implement advanced, patient-centered technology with a focus on continued quality improvements and cost reduction by coordinating and improving resources. SMH remains a public hospital. Pursuant to the JOA, Ochsner Medical Center—North Shore and SMH operate on an integrated basis. Joint activity and decisions are coordinated by a Strategy and Oversight Committee that includes equal representation from both parties. Being financially integrated with SMH, OCF will recognize other operating revenue or other operating expense related to this JOA in its consolidated statements of operations.
- General Health System. On March 29, 2016, OHS announced the signing of a letter of intent to form a strategic partnership between Ochsner Medical Center Baton Rouge and General Health System focused on increasing local access to care, improving quality and reducing the cost of healthcare and to share best practices and resources to expand services to both patients and physicians.
- Ochsner-Acadia LLC. On May 27, 2016, OHS entered into a joint venture with Acadia Healthcare to provide critically needed behavioral health services to the River Parishes and surrounding region via an inpatient behavior health hospital.
- St. Bernard Parish Hospital. On September 28, 2016, the St. Bernard Parish Hospital Board unanimously approved a Cooperative Endeavor Agreement with OHS for OHS to perform a 90-day Operational Assessment of St. Bernard Parish Hospital. The 90-day period began October 3, 2016.
- Southwest Health System. On November 10, 2016, OHS announced a strategic partnership with Southwest Health System to share best practices, appropriately expand specialty services and implement advanced, patient-centered technology in southwest Mississippi.

## **Governance**

As of the release date of this document, there have been no changes to Governance since the 2016 Official Statement dated May 3, 2016.

## **Executive Leadership**

On July 5, 2016, William McDade, MD, PhD, joined Ochsner Health System as the Executive Vice President and Chief Academic Officer and is responsible for the undergraduate and graduate education programs, research initiatives and the partnership with the University of Queensland School of Medicine. Dr. McDade most recently served as a Professor of Anesthesiology and Critical Care at the University of Chicago. He is a board-certified anesthesiologist who has maintained his clinical practice in addition to his work in research, teaching and administration. He also served as an Associate Dean at the Pritzker School of Medicine for 10 years prior to taking on his most recent role as a Deputy Provost for the University of Chicago campus nearly six years ago. He has been named a senior scholar in the Bucksbaum Institute for Clinical Excellence; received the Distinguished Faculty Award for Excellence in Diversity and Inclusion, and the Distinguished Alumnus Award in the Biological Sciences Division at the University of Chicago; and, was awarded the James M. Whittico Award by the National Medical Association for combining quality care with ongoing community service. He is a member of Alpha Omega Alpha. He is a past president of the Chicago Medical Society and the Illinois State Medical Society and most recently served as the chair of the ISMS Board of Trustees. Dr. McDade has also impacted healthcare on a national level. He currently serves as Immediate Past Chair of the AMA Council on Medical Education, represents the ASA at the AMA House of Delegates, and served as Chair of the Anesthesiology Section of the National Medical Association. He represents the AMA at the National Board of Medical Examiners, was appointed by the U.S. Secretary of Education to the National Committee on Foreign Medical Education and Accreditation, serves as a member of the National Heart Lung and Blood Institute's Sickle Cell Disease Advisory Committee and serves as a Director on the Board of the Accreditation Council for Graduate Medical Education. Dr. McDade received his B.S. in Chemistry from DePaul University, his M.D. and Ph.D in Biophysics and Theoretical Biology from the University of Chicago and completed his internship there as well. He also completed a residency at Massachusetts General Hospital and Harvard Medical School in Boston, Massachusetts.

On June 16, 2016, Joseph E. Bisordi, MD, FACP, Executive Vice President and Chief Medical Officer, announced his retirement which was effective September 1, 2016.

On September 1, 2016, Robert I. Hart, M.D. assumed the role of Executive Vice President and Chief Medical Officer of Ochsner Health System and is responsible for overseeing all aspects of physician performance, quality and clinical integration within Ochsner's hospitals, health centers and physician group practice. Dr. Hart received his undergraduate degree from Texas Tech University in Lubbock, Texas, and his medical degree from the University of Texas Medical School in Houston, Texas. He completed his internship and residency at the University of Texas Affiliated Hospitals in Houston. Dr. Hart is board-certified in Internal Medicine and Pediatrics and has been on the staff of Ochsner Clinic Foundation since 1994. After serving as Associate Medical Director for Primary Care in Baton Rouge for seven years, he served as Medical Director for the Baton Rouge Region from August 2008 until December 2014. Dr. Hart was appointed Regional Medical Director of OMC New Orleans in January 2015.

## Management Discussion and Analysis of Financial Results

### **Executive Summary:**

OHS had Income from Operations of \$34.2 million (1.7% of Total Unrestricted Revenues) for the first nine months of 2016 compared to \$55.4 million (2.9% of Total Unrestricted Revenues) for the first nine months of 2015 and operating EBITDA was \$158.1 million (7.7% of Total Unrestricted Revenues) for the first nine months of 2016 compared to \$167.9 million (8.7% of Total Unrestricted Revenues) for the first nine months of 2015. Operating performance in 2016 was negatively impacted by changes to the Louisiana state sales tax legislation that went into effect in April 2016 and the record flooding in Baton Rouge in August 2016.

### **Statement of Operations:**

The System achieved Total Unrestricted Revenues of approximately \$2.1 billion for the first nine months of 2016, an increase of \$138.4 million or 7.2% over the same period in 2015 primarily due to organic growth as well as an increase in patients referred from affiliates and outlying facilities through OHS's regional referral center. Net Patient Service Revenue Less Provision for Bad Debts increased \$104.1 million or 6.9%. Premium Revenue increased \$3.2 million. When comparing the first nine months of 2016 to the first nine months of 2015, discharges increased less than one percent, patient days increased 2.4%, inpatient surgical procedures increased less than 1 percent, outpatient surgical procedures increased 9.8%, emergency room visits increased 3.7%, clinic relative value units increased 10.6%, clinic visits increased 9.2%, and unique clinic patients visits increased 6.6%. OHS continues to see an increase in patients referred from affiliates and outlying facilities through its regional referral center. Inpatient transfers to Ochsner Medical Center in the first six months of 2016 increased 12.1% over the first nine months of 2015. Revenue received from any of our managed or affiliated hospitals is not included within Net Patient Service Revenue.

Other Operating Revenue for the first nine months of 2016 was \$233.6 million, a \$29.3 million increase over the same period in 2015. Other Operating Revenue for the first nine months of 2016 includes a \$4.5 million increase related to pharmacy revenue, a \$6.1 million increase in EHR incentives and a \$12.3 million increase related to funding in 2016 from partners of partially owned subsidiaries formed exclusively for charitable, educational and scientific purposes. Other Operating Revenue includes \$27.4 million in the first nine months of 2016 and \$27.7 million in the first nine months of 2015 related to management agreements and joint operating agreements.

The Provision for Bad Debt for Ochsner Health System, as a percentage of Patient Service Revenue – Net of Contractual Allowances and Discounts and Premium Revenue net of Medical Services to Outside Providers, was 3.9% for the first nine months of 2016 compared to 4.3% for the first nine months of 2015. A portion of the reduction in bad debt can be attributed to Louisiana expanding Medicaid in July 2016 which increased Medicaid as a percentage of gross revenue from 12% in 2015 to 13% in the first nine months of 2016. Bad Debt and Charity Care combined accounted for 5.6% of Patient Service Revenue – Net of Contractual Allowances and Discounts and Premium Revenue net of Medical Services to Outside Providers for the first nine months of 2016 compared to 5.4% for the first nine months of 2015.

Salaries and Wages for the first nine months of 2016 were \$936.1 million, an \$80.7 million increase over the same period in 2015. The majority of the increase is related to additional staffing and additional providers needed to meet increased patient demand. Total providers increased by 9.8% or 120 full-time equivalents ("FTEs"). That includes a 5.0% increase in physicians, or 43 FTEs, and a 21.1% increase in the number of other providers, or 77 FTEs. Ochsner employs over 1,000 active staff physicians and over 500 Other Providers.

Medical Services to Outside Providers expense for the first nine months of 2016 decreased by \$6.9 million over the first nine months of 2015. The System currently provides services to approximately 35,000 senior members under a capitation contract for both physician and hospital services.

Medical Supplies and Services increased by \$34.3 million when comparing the first nine months of 2016 to the first six months of 2015. Medical Supplies and Services as a percentage of Total Unrestricted Revenues was 16.6% for the first nine months of 2016 and 16.0% for the same period in 2015. \$24.1 million of the increase is due to increased volume in the pharmacies and an increase in chemotherapy and infusion drugs. Ochsner continues to see a continuing shift toward higher acuity patients. \$8.5 million of the increase is due to an increase



in medical supplies and implants, including Transapical Valve replacements, Cath Lab procedures and Electrophysiology Lab procedures.

Other operating expenses which includes building and equipment, insurance, professional services and general and administrative expenses for the first nine months of 2016 increased by \$26.9 million over the first nine months of 2015. \$7.3 million of the increase is related to software maintenance contracts. \$3.9 million of the increase is related to dietary purchased services that we previously included in salary and supplies expense. \$5.6 million of the increase is related to sales tax due to changes to the Louisiana State Sales Tax legislation that went into effect during April 2016.

Excluding the loss on early extinguishment of debt, OHS had a non-operating gain of \$5.7 million for the first nine months of 2016 compared to a non-operating loss of \$0.1 million for the first nine months of 2015. Non-operating gains and losses include realized gains and losses, as well as changes in the market value of the pooled investment portfolio. The first nine months of 2016 also includes a \$39.1 million loss on early extinguishment of debt related to the advance refunding of the Series 2011 Bonds. Similarly, the first nine months of 2015 includes a \$13.0 million loss on early extinguishment of debt related to refinancing a portion of the 2007 Bonds.

### **Ratings**

There were no changes to the ratings since the June 30, 2016 Quarterly Financial Information Disclosure. Fitch Ratings rates Ochsner Health System A- with a Stable outlook. Moody's Investor Services rates Ochsner Health System Baa1 with a Positive outlook.

**Liquidity and Cash Position:** At September 30, 2016, Ochsner Health System had unrestricted cash and investments of \$861.6 million which equates to 121 days cash on hand. The \$49.0 million decrease from December 2015 includes seasonal timing differences including a \$33.8 million increase in Patient Accounts Receivable, Net, a \$26.2 million increase in Other Receivables, an \$8.8M increase in Prepaid Expenses and Other Current Assets, and a \$3.3M decrease in Accounts Payable. As of September 30, 2016, OHS had \$75.1 million of donor restricted investments.

**Days Cash on Hand.** The table below includes Cash and Investments and Days Cash on Hand. Dollar amounts are in thousands.

	<b><u>Cash and Investments</u></b>		<b><u>Days Cash on Hand</u></b>	
	<b><u>Sept. 30,</u></b> <b><u>2016</u></b>	<b><u>Dec. 31,</u></b> <b><u>2015</u></b>	<b><u>Sept. 30,</u></b> <b><u>2016</u></b>	<b><u>Dec. 31,</u></b> <b><u>2015</u></b>
Monthly Liquidity	\$ 730,275	\$828,635	103	124
Liquidity greater than 30 days and less than one year	114,649	64,295	16	10
Locked Up (liquidity one year or more)	16,626	17,576	2	3
Total	<u>\$ 861,550</u>	<u>\$910,506</u>	<u>121</u>	<u>137</u>

**Debt.** As of September 30, 2016, OHS had \$1.0 billion in total long term debt outstanding. On May 12, 2016, Ochsner closed the financing of Series 2016 Refunding Revenue Bonds which refunded the full amount of the Series 2011 bonds.

Series	Par Amt O/S	Final Maturity	Interest Mode
<b>OCHSNER CLINIC FOUNDATION</b>			
Series 2007A	250,805,000	5/15/2047	Fixed
Series 2016	155,660,000	5/15/2047	Fixed
Series 2015 Taxable New Money	252,820,000	5/15/2045	Fixed
Series 2015 Tax Exempt Refunding	112,815,000	5/15/2047	Fixed
March 2013 Note Payable <sup>(1)</sup>	6,189,914	3/31/2033	Fixed
December 2013 Note Payable <sup>(1)</sup>	54,830,650	12/31/2028	Fixed
July 2014 Note Payable <sup>(1)</sup>	74,931,316	8/15/2034	Fixed
December 2013 Promissory Note	15,216,667	12/30/2020	Variable <sup>(4)</sup>
October 2014 Promissory Note	19,433,333	10/31/2021	Fixed
September 2015 Promissory Note	27,750,000	9/30/2022	Variable <sup>(4)</sup>
2006 Working Capital Note <sup>(3)</sup>	8,574,891	5/1/2026	Variable
Software and Equipment Loans <sup>(3)</sup>	3,837,431	N/A	N/A
Capital Lease Obligations <sup>(3)</sup>	9,262,126	N/A	N/A
SUBTOTAL	992,126,328		
<b>OCHSNER COMMUNITY HOSPITALS</b>			
Series 2007B <sup>(2)</sup>	53,445,000	5/15/2047	Fixed
SUBTOTAL	53,445,000		
GRAND TOTAL	1,045,571,328		

Note:

- <sup>(1)</sup> Not an obligation of a credit group member or a supplemental obligation of the Master Indenture.
- <sup>(2)</sup> Guaranteed by Ochsner Clinic Foundation
- <sup>(3)</sup> Not secured by an Obligation issued under the Master Indenture.
- <sup>(4)</sup> Interest on this loan has been fixed through an interest rate swap agreement.

**Ochsner Health System and Subsidiaries**  
**Consolidated Statements of Operations**  
**For the Nine Months Ended September 30, 2016 and 2015**  
**(\$ In Thousands)**

	<u>2016</u>	<u>2015</u>	<u>Difference</u>
Unrestricted revenues:			
Patient service revenue, net of contractual allowances and discounts	\$ 1,681,618	\$ 1,578,768	\$102,850
Provision for bad debts	<u>(70,734)</u>	<u>(71,942)</u>	<u>1,208</u>
Net patient service revenue, less provision for bad debts	1,610,884	1,506,826	104,058
Premium revenue	218,198	215,044	3,154
Other operating revenue	233,607	204,303	29,304
Net assets released from restriction, used for operations	<u>4,416</u>	<u>2,551</u>	<u>1,865</u>
Total unrestricted revenues	<u>2,067,105</u>	<u>1,928,724</u>	<u>138,381</u>
Expenses:			
Salaries and wages	936,108	855,427	80,681
Benefits	133,377	120,177	13,200
Medical services to outside providers	105,373	112,320	(6,947)
Medical supplies and services	342,897	308,641	34,256
Other operating expenses	391,209	364,295	26,914
Depreciation and amortization	83,584	76,760	6,824
Interest	<u>40,348</u>	<u>35,671</u>	<u>4,677</u>
Total expenses	<u>2,032,896</u>	<u>1,873,291</u>	<u>159,605</u>
Income from operations	<u>34,209</u>	<u>55,433</u>	<u>(21,224)</u>
Non-operating gains and losses:			
Investment and other realized (losses) gains - net	(2,823)	9,215	(12,038)
Loss on early extinguishment of debt	(39,110)	(12,982)	(26,128)
Unrealized gains (losses) on alternative investments - net	<u>8,568</u>	<u>(9,254)</u>	<u>17,822</u>
Total non-operating losses	<u>(33,365)</u>	<u>(13,021)</u>	<u>(20,344)</u>
Excess of revenues over expenses	<u>\$ 844</u>	<u>\$ 42,412</u>	<u>\$ (41,568)</u>

**Ochsner Health System and Subsidiaries**  
**Consolidated Balance Sheets**  
**As of September 30, 2016 and December 31, 2015**  
**(\$ In Thousands)**

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 133,603	\$ 290,803
Assets limited as to use, required for current liabilities	3,858	3,858
Patient accounts receivable, net	259,327	225,527
Other receivables	102,848	76,671
Inventories	51,541	50,409
Prepaid expenses and other current assets	46,435	37,634
Estimated third-party payor settlements	20,177	17,552
Total current assets	617,789	702,454
Assets limited as to use:		
By Board for capital improvements, charity, research, and other	727,947	619,703
Under bond indenture agreements	21,472	36,040
Under self-insurance trust fund	10,164	11,921
Donor-restricted long-term investments	75,069	65,533
Total assets limited as to use	834,652	733,197
Less assets limited as to use, required for current liabilities	(3,858)	(3,858)
Non-current assets limited as to use	830,794	729,339
Investments in unconsolidated affiliates, real estate, and other	14,082	6,653
Property, net	780,944	754,843
Goodwill	43,558	43,077
Intangible assets	11,471	11,482
Other assets	26,422	23,950
Total assets	<u>\$ 2,325,060</u>	<u>\$ 2,271,798</u>

**Ochsner Health System and Subsidiaries**  
**Consolidated Balance Sheets**  
**As of September 30, 2016 and December 31, 2015**  
**(\$ In Thousands)**

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 136,771	\$ 140,116
Accrued salaries, wages, and benefits	156,470	148,252
Deferred revenue	20,909	12,850
Estimated third-party payor settlements	4,430	4,778
Bonds payable, current portion	7,030	6,740
Notes payable, current	52,430	52,430
Long-term debt, current portion	16,178	17,858
Other current liabilities	40,891	30,919
Total current liabilities	435,109	413,943
Pension and postretirement obligations	143,870	152,346
Bonds payable	828,665	810,166
Long-term debt	191,848	203,741
Other long-term liabilities	35,307	36,038
Total liabilities	1,634,799	1,616,234
Net assets:		
Unrestricted	596,452	565,116
Temporarily restricted	69,498	66,685
Permanently restricted	24,311	23,763
Total net assets	690,261	655,564
Total liabilities and net assets	<u>\$ 2,325,060</u>	<u>\$ 2,271,798</u>

**Ochsner Health System and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows**  
**For the Nine Months Ended September 30, 2016 and 2015**  
**(\$ In Thousands)**

	<u>2016</u>	<u>2015</u>
<b><u>Cash Flows from Operating Activities:</u></b>		
Increase in net assets	\$ 34,697	\$ 25,176
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	83,584	76,749
Provision for bad debts	70,734	71,942
Non-cash portion of loss on early extinguishment of debt	3,196	3,603
Amortization of deferred financing costs and debt discounts	424	791
Contributions restricted for long-term investments	(548)	-
Income from equity-method investments, net of cash received	(350)	(218)
Net realized and unrealized (gains) losses on investments	(33,638)	17,839
Other reconciling items, net	(6,994)	-
Changes in operating assets and liabilities, net of acquisitions:		
Patient accounts receivable	(104,534)	(85,882)
Other current and noncurrent assets	(41,104)	(45,748)
Accounts payable	(601)	3,950
Accrued expenses and other liabilities	18,255	40,795
Net cash provided by operating activities	<u>23,121</u>	<u>108,997</u>
<b><u>Cash Flows from Investing Activities:</u></b>		
Purchases of assets whose use is limited and other investments	(314,644)	(220,303)
Sales and maturities of assets whose use is limited and other investments	246,102	43,196
Capital expenditures	(110,178)	(78,440)
Other	(1,020)	1,463
Net cash used in investing activities	<u>(179,740)</u>	<u>(254,084)</u>
<b><u>Cash Flows from Financing Activities:</u></b>		
Repayment of bonds payable and long-term debt	(171,339)	(135,652)
Proceeds from bonds payable and long-term borrowings	174,369	403,802
Payments of debt financing costs	(2,057)	(3,883)
Payments on capital lease obligations	(2,102)	(1,371)
Proceeds from contributions restricted for long-term investments	548	-
Net cash (used in) provided by financing activities	<u>(581)</u>	<u>262,896</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(157,200)	117,809
Cash and Cash Equivalents, Beginning of Year	290,803	158,658
Cash and Cash Equivalents, End of Period	<u>\$ 133,603</u>	<u>\$ 276,467</u>

## OCHSNER HEALTH SYSTEM UTILIZATION STATISTICS

	2013	2014	2015	Sep 2015 YTD	Sep 2016 YTD
Licensed Beds (1)	1,235	1,267	1,283	1,284	1,284
Average Number of Beds in Use (2)	1,293	1,346	1,371	1,372	1,372
Discharges Including Newborn	60,306	62,517	65,843	49,432	50,000
Discharges Excluding Newborn	54,731	56,771	60,186	45,223	45,526
Patient Days Including Newborn	281,782	301,055	313,483	236,047	241,972
Patient Days Excluding Newborn	269,367	287,706	300,526	226,487	231,812
Average Daily Census (3)	737	788	824	830	846
Percent Occupancy (3)	57.01%	58.54%	60.04%	60.48%	61.66%
Average Length of Stay	4.7	4.8	4.8	4.8	4.8
Adjusted Patient Days (3)	539,590	576,981	612,443	458,595	489,121
Clinic Visits	1,450,979	1,520,006	1,650,544	1,237,850	1,351,726
Clinic RVUs (4)	4,761,678	5,037,600	5,455,838	4,056,382	4,486,495
Unique Clinic Patients (5)	361,622	384,181	411,988	409,535	438,644
Employed Physician FTEs	784.5	822.8	875.0	864.4	907.3
Transfers through Regional Referral Center	5,625	6,442	8,787	6,581	7,491

	Ochsner Medical Center	OMC West Bank	Ochsner St. Anne	OMC Baton Rouge	OMC North Shore	OMC Kenner	Ochsner Baptist Med. Ctr.	TOTAL
Licensed Beds (1)	565	165	35	150	157	110	102	1,284
Average Number of Beds in Use (2)	561	181	35	159	165	115	156	1,372
Discharges Including Newborn	20,684	5,816	1,462	6,280	3,356	5,318	7,084	50,000
Discharges Excluding Newborn	20,684	5,099	1,239	5,304	3,356	4,631	5,213	45,526
Patient Days Including Newborn	125,151	24,252	5,282	21,930	15,692	19,014	30,651	241,972
Patient Days Excluding Newborn	125,151	22,526	4,790	19,838	15,692	17,350	26,465	231,812
Average Daily Census (3)	457	82	17	72	57	63	97	846
Percent Occupancy (3)	81.42%	45.42%	49.95%	45.54%	34.71%	55.06%	61.92%	61.66%
Average Length of Stay	6.1	4.2	3.6	3.5	4.7	3.6	4.3	4.8
Adjusted Patient Days (3)	226,864	46,468	24,767	60,749	32,234	41,793	56,246	489,121

(1) Data excludes NICU and Nursery Beds.

(2) Data excludes Nursery beds, but includes NICU beds, a large number of beds in use will yield an amount greater than the number of licensed beds.

(3) Data excludes Normal Newborn Days.

(4) Clinic RVUs were restated in 2013 and 2014 to conform to the 2015 presentation.

(5) Data includes the numbers of patients seen in a 12 months rolling period.

## OCHSNER HEALTH SYSTEM GROSS REVENUE BY PAYOR FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2016

Payor Groupings	2015	2016
Managed Care and Commercial	39%	38%
Medicare Managed Care	23%	24%
Medicare - Traditional	22%	21%
Medicaid	12%	13%
Other	4%	4%
TOTAL	100%	100%