Transitioning to a People-Centered Health System

Citi 17th Annual Not-for-Profit Health Care Investor Conference

Richard J. Gilfillan, M.D.
President and CEO

Scott Nordlund
EVP, Growth, Strategy and Innovation

Ben Carter
EVP, Chief Financial Officer and Treasurer

Trinity Health
Livonia, MI
Transitioning to a People-Centered Health System

Richard J. Gilfillan, M.D.
President and CEO

Building a People-Centered Health System Through Growth and Innovation

Scott Nordlund
EVP, Growth, Strategy and Innovation

Stewarding Resources Through the Transition

Ben Carter
EVP, Chief Financial Officer and Treasurer
Transitioning to a People-Centered Health System

Richard J. Gilfillan, M.D.
President and CEO
Our Mission drives our Vision and strategy
We, Trinity Health, serve together in the spirit of the Gospel as a compassionate and transforming healing presence within our communities.

Our Core Values

• Reverence
• Commitment to Those Who are Poor
• Justice
• Stewardship
• Integrity
Our People-Centered 2020 Strategic Plan includes five focus areas to achieve our Vision

People-Centered Care
Engaged Colleagues
Operational Excellence
Leadership Nationally
Effective Stewardship

Physicians & Clinicians
Our 21-State Diversified Network

92 Hospitals* in 20 Regional Health Ministries**

47 Home Care & Hospice Locations Serving 116 Counties

59 Continuing Care Facilities

14 PACE Center Locations

23.9K Affiliated Physicians

3.9K Employed Physicians

*Owned, managed or in JOAs or JVs.
**Operations are organized into Regional Health Ministries ("RHMs"), each an operating division which maintains a governing body with managerial oversight subject to authorities.
Building a “People-Centered Health System” together

Better Health • Better Care • Lower Costs

People-Centered Health System

Episodic Health Care Management for Individuals
Efficient & effective episode delivery initiatives

Population Health Management
Efficient & effective care management initiatives

Community Health & Well-being
Serving those who are poor, other populations, and impacting the social determinants of health

Transforming care requires a transformed business model

Strategic Aim: 75% of all care will be reimbursed via Alternative Payment Models (APM)

Fee For Service (FFS) Population 78%
Attributed Population 19%
Episodic Care Population 3% ➔ 22% APM - Current
Our people-centered system in 2020 will provide care under a different mix of payment models

<table>
<thead>
<tr>
<th>FFS Population</th>
<th>Episodic Care Population</th>
<th>Attributed Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>25% FFS Payment/service DRGs, Per Diem, Other</td>
<td>25% 90 Days all-in Bundle Payment</td>
<td>50% Shared Savings/Risk/Capitation</td>
</tr>
</tbody>
</table>

75% APM Goal
Expanding **ACO** programs are the primary driver of APM growth

- **14** Medicare Shared Savings Program ACOs
- **5** markets partnering as a Next Generation ACO
- Participating in **98** non-CMS APM contracts
- **13.8K** physicians participating in our Clinically Integrated Networks accountable for **1.2** million lives
New operating capabilities improve care and lower cost for patients in ACOs

Reduce unnecessary or avoidable hospitalizations
Improving access to primary and specialty care providers, engaging hospitalists in adhering to transitions of care processes

Standardized care management process across the continuum
Targeting high risk patients through predictive modeling and coordinating patient care through multidisciplinary teams at the site of care

Maximize efficiency in post-acute and SNF care
Identifying clinicians to focus on SNF population and collaboratively manage transitions alongside BPCI teams, utilizing home care partnerships

IT infrastructure and data-driven claims analysis
Combining internal claims data platform and analytic resources with industry-recognized tools to report provider performance across the enterprise to provider levels
Our initial ACO investments have yielded positive shared savings

<table>
<thead>
<tr>
<th>Investment in ACOs</th>
<th>Total Savings Generated</th>
</tr>
</thead>
<tbody>
<tr>
<td>$16.5M</td>
<td>$44.2M</td>
</tr>
<tr>
<td></td>
<td>$27.3M Payer Share</td>
</tr>
<tr>
<td></td>
<td>$16.9M ACO Share</td>
</tr>
</tbody>
</table>

Trinity Health made an initial investment in ACOs of $16.5M in FY14

Of the total $44.2M generated, $16.9M of the savings was shared with Trinity Health ACOs
We continue to invest in increasing attributed lives and building capabilities

Since FY14, Trinity Health has invested over $90M in support of population health management efforts.

Investments have promoted continual growth in both MSSP and commercial ACOs.
We operate one of the largest clinical episode payment programs in the nation

- **43** Model 2 Bundled Payment for Care Improvement (BPCI) hospitals
- **13** Model 3 Skilled Nursing Facilities (SNF)
- **2** Comprehensive Joint Replacement (CJR) sites
- **22,400** total annual episodes for all three programs
We are working to improve care across clinical conditions with 43 of 48 possible bundles.

Total Program Size: $550m (in millions)
Innovative care models are focused on post-acute care for **BPCI**

- **Coordinating care post-discharge**
  - Dedicated patient navigators using technology to improve care pathways

- **Selecting optimal next site of care**
  - Evidence-based decision support tools for the right care at the right location

- **Creating high-value SNF networks**
  - Use of performance assessments to create skilled nursing facility (SNF) networks

- **Managing Skilled Nursing days**
  - Ministries utilizing episode guidelines to manage patient length of stay

---

**Evidenced-based Care Pathways**
We are learning important lessons about ACOs and BPCI

- Success requires the design and implementation of **new clinical operating models**, both internal and external
- **Change management capabilities** are essential to engage clinical and administrative staff in these new models
- **Clinical and administrative staff are excited and energized** to be part of this new transformation
- **Robust analytic capabilities** and **significant IT investment** have been critical to developing a deep understanding of the populations’ behaviors and in managing care
- **Lack of timely data** creates lagging financial indicators, requiring attention to leading process indicators to assess current performance
- **Patient attrition** causes a significant data gap between the populations ACOs expect to manage and those whose performance data is available
We are positively impacting patient lives

Our Care
- Care manager took on case and identified behavioral health and socioeconomic components to Rodney’s illness
- Behavioral health specialists established relationship with Rodney
- Provided referrals for medical, behavioral health and pain management
- Educated him on anxiety disorder and coping mechanisms

Pre-Mount Carmel Health Partners
- 80 ER visits Jan.- Oct., 2015
- Pain, numbness
- Stroke-like symptoms
- Nausea
- Behavioral Health issues
- No transportation

Post-Mount Carmel Health Partners
- 2 ER visits Nov.- Dec., 2015
- Compliant with medications and appointments
- Owns a car and provides own transportation
- Understands his illnesses and utilizes coping mechanisms

Rodney, 54
The Triple Aim is producing the Quadruple Win

- Better care, health and access for patients and families
- Great experience for clinical and administrative staff
- Success for an integrated health system
- Lower costs and better outcomes for payers
Building a People-Centered Health System Through Growth and Innovation

Scott Nordlund
EVP, Growth, Strategy and Innovation
People-Centered 2020 calls for focused growth
A disciplined portfolio management process supports our growth strategy
We are actively managing our business (FY16)
We have a well-defined approach and successful experience in **acquisitions**
We define **diversified** growth as all non-acute sectors of health care.
We prioritize **diversified** growth based on RHM needs and industry trends

**Types of build/acquisition/partnership**
- Primary Care/Extenders
- Urgent Care
- Managed Care
- Home Care
- Hospice
- Retail Clinics

**Criteria We Look At**
- Projected Long-Term Growth CAGR
- Operating Margins
- Limited Capital Investment
- Consolidation Opportunities
- RHM Priority Ranking (#1-21)
- Population Health Enabler
Same-ministry growth demonstrates the health, competitiveness and meaningfulness of our current services

1. Strengthens Catholic health care and our Mission locally
2. Improves the importance of our existing ministries in our markets
3. Driven independently without reliance on other partners/organizations
We continually invest in innovative outpatient and inpatient health care facilities

**St. Peter's Health Partners** (Troy, NY)  
$99.9 million ($20.7 million from philanthropy)  
New emergency department, ICU, progressive care and medical surgical units.

**Mount Carmel Health System** (Delaware, OH)  
$32 million  
State-of-the-art ambulatory care and medical fitness center.

**Holy Cross Health** (Germantown, MD)  
$2.2 million  
New family health center for the uninsured.

**Saint Joseph Mercy Health System** (Brighton, MI)  
$41.1 million ($1.3 million from philanthropy)  
Major upgrade that adds a short stay center for overnight stays.
We concentrate our innovation work in key categories focused on people-centered care

As a mission-driven innovative health organization, we will become the national leader in improving the health of our communities and each person we serve.

**People-Centered Care**
innovations that focus on keeping people healthy - especially for those most vulnerable

- Virtual care
  (includes digital health and the use of apps)
- Care occurring outside of the hospital
- New acute care clinical and business models
Our innovation program contributes to achieving our Vision

- Innovation Challenges
- Internal Innovation Grants and Pilots
- Innovation Intranet Community
- Venture Capital Investment Portfolio
- External Innovator Support
- Rapid Design Incubator Events

INNOVATION CULTURE
Our pilot programs are important to building a culture of innovation

The pioneering and creative pilots below represent a small sample of the many we select yearly for implementation.

**Gastrointestinal Transit Measurement Device**
Loyola University Medical Center
Test the use of a device the size of a gelatin capsule in measuring gastrointestinal mobility.

**Complex Care Management**
Mercy Health Saint Mary's
Create an automated system and processes to identify and intervene in health care delivery for high-risk/high-cost patients.

**Direct to Consumer (DTC) Telemedicine**
Saint Alphonsus Health System
Access medical consultations using an online, HIPAA secure video conferencing system using software downloaded by patients on their personal devices, including a home PC, smart phone or tablet.
We use multiple investment options to promote innovation

1. **Internal inventors**: Pilot solutions developed by Trinity Health employees and clinicians

2. **External inventors**: Seek health system testing support

3. **Accelerator firms**: Assemble portfolios of early-stage health care innovation companies and help them bring products/services to market

4. **Venture capital firms**: Create portfolios of carefully screened late-stage innovation companies. Trinity Health is invested in two venture funds

5. **Innovation consortiums**: Address common health system concerns through innovation activities
Our Vision supports growth and innovation

...mission-driven...

...innovative health organization...

...the national leader in improving the health of our communities and each person we serve...

...most trusted health partner for life.

Stewarding Resources Through the Transition

Ben Carter
EVP, Chief Financial Officer and Treasurer
Operating revenue continues to demonstrate sustained growth

Note: All time periods reflect the change of accounting for bad debt as a net patient revenue deduction and exclude discontinued operations.
Revenue is diversified across regions

Based on Projected FY16 Results

- Saint Joseph Mercy Health/Mercy Health (MI), 22%
- Mercy Health Network (IA/NE), 6%
- Saint Alphonsus (OR/ID), 5%
- Other 19%
- Loyola University Health System (IL), 10%
- Mount Carmel (OH), 11%
- St. Peter's Health Partners & St. Joseph’s Health (NY), 12%
- Mercy Health System SEPA (PA), 8%
- Trinity Health New England (CT), 7%
We are seeing growth in both acute and non-acute care volume

**ACUTE CARE**

<table>
<thead>
<tr>
<th>Year</th>
<th>Discharges</th>
<th>ER Visits</th>
<th>Surgeries</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>503K</td>
<td>2M</td>
<td>348K</td>
</tr>
<tr>
<td>2015</td>
<td>511K</td>
<td>2.1M</td>
<td>359K</td>
</tr>
<tr>
<td>2016</td>
<td>560K</td>
<td>2.3M</td>
<td>396K</td>
</tr>
</tbody>
</table>

**NON-ACUTE CARE**

<table>
<thead>
<tr>
<th>Year</th>
<th>Home Care Admissions</th>
<th>Observation Cases</th>
<th>Outpatient Visit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>87K</td>
<td>119K</td>
<td>13.6M</td>
</tr>
<tr>
<td>2015</td>
<td>91K</td>
<td>121K</td>
<td>14.3M</td>
</tr>
<tr>
<td>2016</td>
<td>97K</td>
<td>131K</td>
<td>15.7M</td>
</tr>
</tbody>
</table>
Industry-wide pressures in labor and supplies impact operating income through FY16 December

<table>
<thead>
<tr>
<th></th>
<th>FY15 Dec YTD</th>
<th>FY16 Dec YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income Statement</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenue ($M)</td>
<td>$7,033</td>
<td>$7,894</td>
</tr>
<tr>
<td>Operating Cash Flow Margin</td>
<td>9.6%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>3.2%</td>
<td>0.5%</td>
</tr>
<tr>
<td><strong>Balance Sheet</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Cash ($M)</td>
<td>7,068</td>
<td>7,375</td>
</tr>
<tr>
<td>Days Cash on Hand</td>
<td>202</td>
<td>178</td>
</tr>
<tr>
<td>Cash to Debt</td>
<td>138%</td>
<td>119%</td>
</tr>
<tr>
<td>Debt to Capitalization (%)</td>
<td>33%</td>
<td>38%</td>
</tr>
<tr>
<td><strong>Volume</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discharges</td>
<td>255,000</td>
<td>276,000</td>
</tr>
<tr>
<td>Patient Days</td>
<td>1,179,000</td>
<td>1,283,000</td>
</tr>
<tr>
<td>Outpatient Visits</td>
<td>7,135,000</td>
<td>7,729,000</td>
</tr>
<tr>
<td>ER Visits</td>
<td>1,057,000</td>
<td>1,142,000</td>
</tr>
<tr>
<td>HMO Covered Lives</td>
<td>47,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Home Care Admissions</td>
<td>43,000</td>
<td>47,000</td>
</tr>
<tr>
<td>Long Term Care Days</td>
<td>566,000</td>
<td>551,000</td>
</tr>
</tbody>
</table>

Note - All time periods reflect the change of accounting for bad debt as a net patient revenue deduction and exclude discontinued operations.
We achieved our target for merger synergy savings ahead of schedule
We have accelerated efficiency initiatives as we remain focused on our strategic plan.

**Reduce capital spend**
by $100 million for the year

**Reduce operating costs:**
- Accelerate our nurse recruitment and retention action plan
- Limit consulting costs, travel and new hires across the system

**Focus on shortfall ministries**
Deploy rapid action teams at shortfall ministries to accelerate savings initiatives

**All ministries are pursuing budget action plans**

Total anticipated savings of **$100 MILLION** excluding CapEx
Our collaboration on a new distribution center will reduce expenses

• A creative partnership with XPO Logistics, Inc. to build a new health care supply and distribution center to reduce costs and eliminate waste
• This world-class logistics facility supports complete control of the supply chain from the manufacturer to bedside consumption
We continue to maintain solid liquidity and moderate leverage

Operating Cash

- 2014: $7.1B
- 2015: $7.1B
- 2016: $7.4B

Cash to Debt

- 2014: 139%
- 2015: 138%
- 2016: 119%

Days Cash on Hand

- 2014: 215
- 2015: 202
- 2016: 178
Our strong credit ratings allow for a well-diversified debt portfolio and credit facilities.

**Debt Mix**
- **68%** Fixed includes bank placements and put bonds. Tax-exempt and taxable.
- **32%** Variable with high product diversification

**Bank Exposure**
- Well-diversified credit facilities with maturities spread over three years
- Deep relationships with lenders
- Two credit facilities with 11 highly rated banks

### Debt Mix
- **Fixed** $4.4B
- **Variable** $2.1B

### Bank Exposure
- **$1.1B**

As of 3/31/16
Building a “People-Centered Health System” together

People-Centered Health System

- Episodic Health Care Management for Individuals
  - Efficient & effective episode delivery initiatives
- Population Health Management
  - Efficient & effective care management initiatives
- Community Health & Well-being
  - Serving those who are poor, other populations, and impacting the social determinants of health

Better Health • Better Care • Lower Costs
Certain statements included in this Presentation constitute “forward-looking statements.” Such statements generally are identifiable by the terminology used, such as “plan,” “expect,” “predict,” “estimate,” “anticipate,” “budget” or other similar words. Such forward-looking statements include but are not limited to certain statements contained IN THE INFORMATION under the captions “STRATEGIC DIRECTION AND VISION” and “FINANCIAL PERFORMANCE.”

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Trinity Health does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur or fail to occur.
Thank You