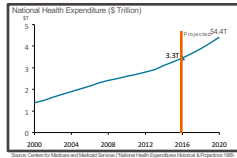

Macro Trends Increasing Health Expenditure

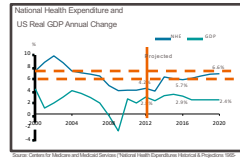


- National Health Expenditure (NHE) is increasing consistently



Page 1

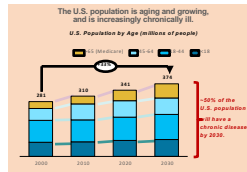
- While NHE growth has slowed in recent years, but trend is still expected to be ~6% to 7%



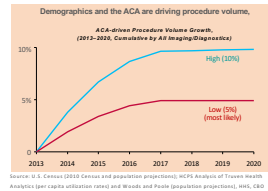
Macro Trends Demographics and Healthcare Demand



Demand for healthcare is increasing due to demographics and the ACA.



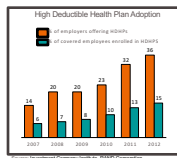
Page 1



Macro Trends Increasing Consumer Spending

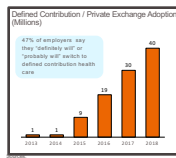


Employers are shifting the cost burden to employees

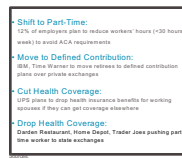


Page 1

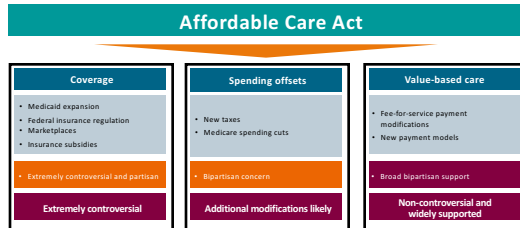
Defined Contribution – much like pensions – is gaining momentum



Employers are aggressively going after healthcare costs



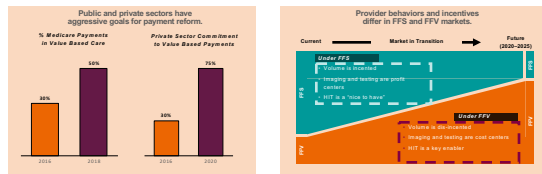
The 3 Parts of the Affordable Care Act (ACA)



Page 7

Payment Reform

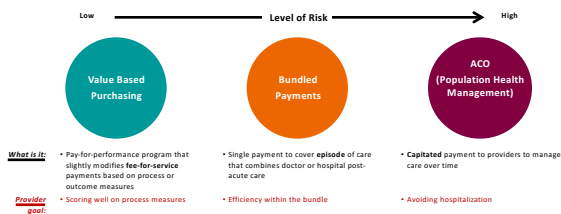
Payment reform and the broader transition to value-based care is taking root.



Healthcare providers are in various stages of the transition from fee-for-service to fee-for-value.

Page 8

Overview of Value Based / Fee-for-Value Payment Models



Page 9

Bundled Payment Overview



- Patients admitted for select AMI, CABG, SHFT MS-DRGs triggers bundled payment episode for the admitting hospital (called the anchor hospital)



- All providers and suppliers for the episode of care are paid under the usual payment system rules and procedures



- At the end of the model performance year, actual spending for the episode would be compared to the Medicare quality-adjusted target episode price that reflects episode quality for the responsible hospital

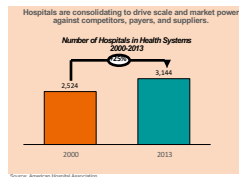


- Hospitals that work with physicians and other providers to deliver the needed care for less than the quality-adjusted target price, while meeting or exceeding quality standards, would be paid for the savings achieved
- Hospitals with costs exceeding the quality-adjusted target price would be required to repay Medicare

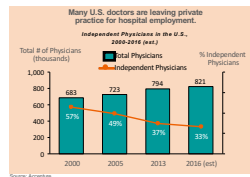
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Consolidation

Transition to value based care drives providers integrate horizontally and vertically.

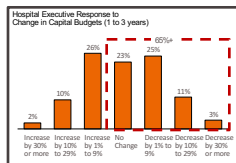


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Provider Reactions Economizing

Providers are proceeding cautiously with capital investments



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Financial challenges remain top-of-mind for the hospital C-suite

Issue	2012 Rank	2011 Rank
Financial challenges	1	1
Patient safety and quality	2	3
Healthcare reform implementation	3	2
Governmental mandates	4	4
Care for the uninsured	5	5
Patient satisfaction	6	7
Physician-hospital relations	7	6
Technology	8	8
Population health management	9	—
Personnel shortages	10	9
Creating an accountable care organization	11	10

Source: American College of Healthcare Executives (ACHE) survey, 2012

Top-of-Mind Questions

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How to improve
operational
efficiency?



How to prepare for
transition to value?



How to retain, train
and develop staff?



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Provider Reactions Changing Provider Behavior

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Changing Provider Behavior

Cost Efficiency

- Tight budgets
- Focus on efficiency and effectiveness
- Focus on value to the patient

Scale

- Larger and integrated systems
- Improved fixed cost leverage
- Market power against insurers, competitors, and suppliers

Risk Management

- Outcomes based financial risk
- Population health management as a key discipline

Clinical Transformation

- Information and evidence based shared decisions
- Integrated clinical practice patterns (less silos)
- Tracking, engaging patients across continuum

HIT and Infrastructure

- Fewer "bed towers"
- Investments in HIT
- Interoperable and shared information / analytics

People and Culture

- Cultural shift to team-based medicine
- Value-conscious mindset
- New skills in several areas

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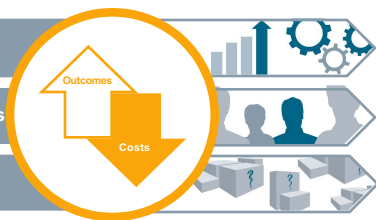
Health System Challenges and Opportunities

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Efficiency & Cost

Clinical Outcomes

New Capabilities



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Questions?

Page 16

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Now's our time
to inspire
the future
of healthcare together

Engineering success. Pioneering healthcare.
